

Montmorency County Road Commission

BASIC FINANCIAL STATEMENTS

December 31, 2017

MONTMORENCY COUNTY ROAD COMMISSION

BOARD OF COUNTY ROAD COMMISSIONERS

Charles Arbour
Chairperson

Ken Werner
Vice Chairperson

Ted Orm
Member

Michael Walker
Superintendent

Todd Behring
Managing Director

Tina Whitt
Payroll Clerk/Secretary

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ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of County Road Commissioners
Montmorency County Road Commission
11445 M-32
Atlanta, Michigan 49709

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund and aggregate remaining fund information of the Montmorency County Road Commission (a component unit of Montmorency County, Michigan) as of and for the year ended December 31, 2017, and 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, major fund and aggregate remaining fund information of the Montmorency County Road Commission, as of December 31, 2017, 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, schedule of funding progress, and budgetary comparison schedules on pages 4 through 9, page 30 and pages 31 through 32, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 Montmorency County Road Commission's basic financial statements. The schedules of analysis are presented for purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our reports dated June 20, 2018 on our consideration of the Montmorency County Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Montmorency County Road Commission's internal control over financial reporting and compliance.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 20, 2018

Management's Discussion and Analysis

Using This Annual Report

Our discussion and analysis of Montmorency County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2017. This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the road commission's operations in more detail than a government-wide financial statement.

Overview of the Financial Statements

This annual report consists of five parts—management's discussion and analysis (this section), the basic financial statements, notes to financial statements, required supplementary information, and other information that presents the operating fund allocation between primary, local and county funds. The basic financial statements include two types of statements that present different views of the Road Commission:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the government's assets, liabilities and inflows. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net position and how they have changed. "Net Position" is the difference between the assets, outflows, liabilities and inflows. This is one way to measure the Road Commission's financial health or position.

The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Road Commission as a Whole

Government-Wide Statements

The Statement of Net Position and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Position includes all of the Road Commission's assets, liabilities and inflows using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two statements, mentioned above, report the Road Commission's net position and how they have changed. The reader can think of the Road Commission's net position as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net position is one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution.

Fund Financial Statements

The Road Commission currently has only one fund, the general operations fund. All of the Road Commission’s activities are accounted for in this fund. The general operations fund is a governmental fund type. Our analysis of the Road Commission’s major fund begins on this page. The fund financial statements begin on page 12 and provide detailed information about the major fund.

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Road Commission’s general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission’s services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and the governmental fund in a reconciliation following the fund financial statements.

The Road Commission as a Whole

The Road Commission’s net position was \$22,255,277 at December 31, 2017, a 10.7% increase over 2016. The net position is summarized below.

Net Position

Restricted net position is those assets that have constraints placed on them by either: a) by creditors, grantors, contributors, or laws or regulations of other governments; b) by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used for only the specific purpose stipulated in the legislation. As such all assets (except for assets invested in capital assets) are considered restricted.

Total capital assets were \$29,180,233 at December 31, 2017. The increase in net position is primarily the result of reporting infrastructure of \$23,292,659. The Road Commission has retroactively reported infrastructure assets (assets acquired after 1980) as required by Governmental Accounting Standards Board (GASB) Statement No. 34.

Net position as of years ended December 31, 2017 and 2016 are as follows:

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and Other Assets	\$ 3,294,844	\$ 2,955,852
Capital Assets	<u>21,000,550</u>	<u>19,297,898</u>
Total Assets	<u>24,295,394</u>	<u>22,253,750</u>

The Road Commission as a Whole (Continued)

	Governmental Activities	
	2017	2016
Current Liabilities	285,333	319,718
Other Liabilities and Inflows	<u>1,754,784</u>	<u>1,830,775</u>
Total Liabilities	<u>2,040,117</u>	<u>2,150,493</u>
Net Position:		
Net Investment in Capital Assets	20,612,604	18,704,019
Restricted for County Road	<u>1,642,673</u>	<u>1,399,238</u>
Total Net Position	<u>\$ 22,255,277</u>	<u>\$ 20,103,257</u>

A summary of changes in net position for the years ended December 31, 2017 and 2016 are as follows:

	Governmental Activities	
	2017	2016
Program Revenues:		
Charges for Services	\$ 70,368	\$ 30,012
Operating Grants and Contributions	2,788,555	2,111,433
Capital Grants and Contributions	2,170,720	1,350,664
Other Revenue	5,074	5,698
General Revenues:		
Property Taxes	487,042	487,098
Gain (Loss) on Disposal	<u>63,087</u>	<u>(317)</u>
Total Revenues	<u>5,584,846</u>	<u>3,984,588</u>
Expenses:		
Public Works	3,422,468	2,990,092
Interest Expense	<u>10,358</u>	<u>5,641</u>
Total Expenses	<u>3,432,826</u>	<u>2,995,733</u>
Change in Net Position	2,152,020	988,855
Beginning, Net Position	<u>20,103,257</u>	<u>19,114,402</u>
Ending, Net Position	<u>\$ 22,255,277</u>	<u>\$ 20,103,257</u>

The Road Commission's general operations fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

A summary of changes in Operating Fund for the years ended December 31, 2017 and December 31, 2016 is as follows:

	Governmental Fund	
	2017	2016
Revenues:		
County Wide Tax Millage	\$ 487,042	\$ 487,098
Licenses and Permits	25,864	30,012
Federal Sources	1,246,799	502,779
State Sources	3,395,816	2,781,875
Contributions from Local Units	316,660	355,998
Reimbursements/Miscellaneous	44,504	4,301
Interest and Royalties	5,074	1,397
Gain (Loss) on Disposal	63,087	(317)
Other Financing Sources	-	499,955
Total Revenues	5,584,846	4,663,098
Expenditures:		
Public Works	5,016,960	3,742,593
Capital Outlay	87,049	297,564
Debt Service	216,291	138,642
Total Expenditures	5,320,300	4,178,799
Excess of Revenues Over (Under) Expenditures	264,546	484,299
Fund Balance – January 1	2,354,845	1,870,546
Fund Balance – December 31	<u>\$ 2,619,391</u>	<u>\$ 2,354,845</u>

Budgetary Highlights

Prior to the beginning of any year, the Road Commission’s budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2017 was \$11,100 lower than the original budget due primarily to state sources.

The final amended expenditure budget for 2017 was \$78,500 lower than the original budget primarily due to the Road Commission decreasing the budget for local road improvements. The actual expenditures incurred during 2017 were more than the final amended budget by \$321,300.

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2017 and December 31, 2016, the Road Commission had invested \$21,000,550 and \$19,297,898 respectively in net capital assets.

As of December 31, 2017 and 2016 the Road Commission had invested in capital assets as follows:

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Capital Assets Not Being Depreciated		
Land and Improvements	\$ 47,476	\$ 47,476
Infrastructure and Land Improvements	<u>11,748,870</u>	<u>11,311,958</u>
Total Capital Assets Not Being Depreciated	<u>11,796,346</u>	<u>11,359,434</u>
Capital Assets Being Depreciated		
Buildings	1,999,378	1,999,378
Road Equipment	3,542,315	3,860,536
Other Equipment and Assets	298,405	295,925
Infrastructure and Improvements	<u>11,543,789</u>	<u>10,226,158</u>
Total Capital Assets Being Depreciated	<u>17,383,887</u>	<u>16,381,997</u>
Total Accumulated Depreciation	<u>(8,179,683)</u>	<u>(8,443,533)</u>
Total Net Capital Assets	<u>\$ 21,000,550</u>	<u>\$ 19,297,898</u>
Prior and current year's major additions included the following:		
Various Resurfacing Projects and Related Costs-Infrastructure	<u>\$ 2,170,720</u>	<u>\$ 1,350,664</u>
Equipment	<u>\$ 318,559</u>	<u>\$ 458,467</u>

Debt Administration

Details of debt are shown in Note 8 to the financial statements.

At the year end, the Road Commission had \$387,946 in installment debt, a decrease of \$205,933 from 2016. Other long-term debt includes accrued vested employee benefits and OPEB obligation.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners, along with the Road Commission's fiscal and chief administrative officers, considered many factors when setting the calendar year 2018 budget. These factors included the economy, township contributions, interest rates and various other items. We are projecting a slight increase in Act 51 revenue over the year 2018; however, the millage renewal passed in November of 2014 will be received for the ninth time in 2018. Expenses are budgeted to increase primarily due to increases in heavy maintenance expenses using Federal and State dollars.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the public, citizens and other interested parties a general overview of the Road Commission's finances and to show the Road Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Montmorency County Road Commission's administrative offices at 11445 M-32, Atlanta, MI 49709 or call 989-785-3334.

Basic Financial Statements

Montmorency County Road Commission

Statement of Net Position December 31, 2017

ASSETS

Cash and Equivalents	\$ 1,932,134
Receivables:	
Taxes	488,335
Michigan Transportation Fund	476,001
Sundry	339
Inventories:	
Road Materials	227,280
Equipment, Parts and Materials	144,819
Prepaid Items	25,936
Capital Assets (Not Depreciated)	11,796,346
Capital Assets (Net of Accumulated Depreciation)	<u>9,204,204</u>
Total Assets	<u>24,295,394</u>

LIABILITIES

Accounts Payable	137,575
Accrued Liabilities	49,543
Notes Payable - Due within one year	98,215
Notes Payable - Due in more than one year	289,731
Vested Employee Benefits- Due in more than one year	132,103
Other Post Employment Benefits - Due in more than one year	<u>844,615</u>
Total Liabilities	<u>1,551,782</u>

DEFERRED INFLOWS OF RESOURCES

Taxes Levied for Subsequent Period	<u>488,335</u>
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NET POSITION

Net Investment in Capital Assets	20,612,604
Restricted for County Roads	<u>1,642,673</u>
Total Net Position	<u>\$ 22,255,277</u>

Montmorency County Road Commission

Statement of Activities For the Year Ended December 31, 2017

Program Expenses:	
Primary Road Maintenance and Preventive Maintenance	\$ 1,329,793
Local Road Maintenance and Preventive Maintenance	1,903,550
Net Equipment Expense	(102,970)
Net Administrative Expense	270,984
Other	21,111
Interest Expense	10,358
	<hr/>
Total Program Expenses	3,432,826
Program Revenues:	
Charges for Services	\$ 70,368
Operating Grants and Contributions:	
State Grants	2,788,555
Interest and Other	5,074
Capital Grants and Contributions:	
Federal Grants	1,246,799
State Grants	607,261
Contributions from Local Units	316,660
	<hr/>
Total Program Revenues	5,034,717
Net Program Revenues (Expenses)	<hr/> 1,601,891
General Revenues:	
Taxes - Real Property	487,042
Gain (Loss) on Disposal	63,087
	<hr/>
Total General Revenues	550,129
Change in Net Position	2,152,020
Net Position - Beginning Balance	<hr/> 20,103,257
Net Position - Ending Balance	<hr/> <hr/> \$ 22,255,277

Montmorency County Road Commission

Balance Sheet
December 31, 2017

	<u>Governmental</u> <u>Fund Type</u> General <u>Operating Fund</u>
ASSETS	
Cash and Equivalents	\$ 1,932,134
Receivables:	
Taxes	488,335
Due from State	476,001
Sundry	339
Inventories:	
Road Materials	227,280
Equipment, Parts and Materials	144,819
Prepaid Items	25,936
Total Assets	<u><u>\$ 3,294,844</u></u>
LIABILITIES	
Accounts Payable	\$ 137,575
Accrued Liabilities	49,543
Total Liabilities	<u>187,118</u>
DEFERRED INFLOWS OF RESOURCES	
Taxes Levied for Subsequent Period	<u>488,335</u>
FUND BALANCE	
Nonspendable	398,035
Restricted	2,221,356
Total Fund Balance	<u><u>\$ 2,619,391</u></u>

Montmorency County Road Commission

Reconciliation of the Balance Sheet Fund Balance to the Statement of Net Position For the Year Ended December 31, 2017

Total Governmental Fund Balance	\$ 2,619,391
Amounts reported in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	21,000,550
Installment debt - not due and payable in current year and is not reported in the funds.	(387,946)
Vested Employee Benefits Payable are not due and payable in the current period and are not reported in the funds.	(132,103)
Other Post Employment Benefits (OPEB) are not due and payable in the current period and are not reported in the fund statements.	<u>(844,615)</u>
Net Position of Governmental Activities	<u><u>\$ 22,255,277</u></u>

Montmorency County Road Commission

Statement of Revenues, Expenditures, and Changes in Fund Balance For the Year Ended December 31, 2017

	Governmental Fund Type
	General Operating Fund
Revenues	
Property Taxes	\$ 487,042
License and Permits	25,864
Federal Sources	1,246,799
State Sources	3,395,816
Contributions form Local Units	316,660
Charges for Services	44,504
Interest Earnings and Rent	5,074
Other Revenue	63,087
Total Revenues	<u>5,584,846</u>
Expenditures	
Public Works	5,016,960
Capital Outlay	87,049
Debt Service	216,291
Total Expenditures	<u>5,320,300</u>
Excess of Revenues Over (Under) Expenditures	264,546
Fund Balance - Beginning of Year	<u>2,354,845</u>
Fund Balance - End of Year	<u><u>\$ 2,619,391</u></u>

Montmorency County Road Commission

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities For the Year Ended December 31, 2017

Net Change in Fund Balance - Total Governmental Funds \$ 264,546

Amounts reported in the statement of activities are different because:

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

Add - Capital outlay	2,489,279
Deduct - Depreciation expense	(786,627)

Repayment of installment loan principal and bonded debt is an expenditure in the governmental fund but reduces long-term liabilities in the statement of net position.

Repayment of installment loan principal	205,933
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Vested employee benefits payable do not require the current use of financial resources and are not reported as expenditures in the fund statements.	(18,067)
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Increase in other post employment benefits (OPEB) does not require the current use of financial resources and is not reported as expenditures in the fund statements.

Net Change in Net Position of Governmental Activities	<u><u>\$ 2,155,064</u></u>
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Montmorency County Road Commission

Statement of Net Position Fiduciary Fund December 31, 2017

	<u>OPEB Trust</u>	<u>Pension Trust</u>
ASSETS		
Investments at Fair Market Value	<u>\$ 36,252</u>	<u>\$ 2,230,602</u>
NET POSITION		
Restricted for Other Post Employment Pension & Benefits	<u>\$ 36,252</u>	<u>\$ 2,230,602</u>

Montmorency County Road Commission**Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended December 31, 2017**

	<u>OPEB Trust</u>	<u>Pension Trust</u>
ADDITIONS		
Contributions:		
Employer	\$ 54,352	\$ 44,350
Employee	-	40,036
Investment Earnings:		
Interest and Dividends	-	90,788
Net Increase (Decrease) in Fair Value of Investments	4,925	235,207
Total Additions	<u>59,277</u>	<u>410,381</u>
DEDUCTIONS:		
Distributions	54,352	48,914
Administrative Fees	166	20,047
Total Deductions	<u>54,518</u>	<u>68,961</u>
Change in Net Position	4,759	341,420
Net Position Restricted for Other Post Employment Benefits		
Beginning of Year	<u>31,493</u>	<u>1,889,182</u>
End of Year	<u>\$ 36,252</u>	<u>\$ 2,230,602</u>

Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Montmorency County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member Board of County Road Commissioners elected by the voters of the County. The Road Commission may not issue debt without the County's approval and property tax levies for road purposes are subject to County Board of Commissioners' approval.

The criteria established by the Governmental Accounting Standards Board Number 61, "The Financial Reporting Entity," as amended for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Montmorency County Road Commission, as a discretely presented component unit of Montmorency County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund moneys distributed to the County, which are earmarked by law for street and highway purposes. The Board of County Road Commissioners is responsible for the administration of the Road Commission Operating Fund.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Montmorency County Road Commission. There is only one governmental fund reported in the government-wide financial statements.

The statement of net position presents the Road Commission's assets, liabilities and inflows with the difference being reported as either invested in capital assets or restricted net position.

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government. Under the terms of grant agreements, the Road Commission funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the Road Commission's policy to first apply restricted grant resources to such programs, and then general revenues.

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position/Fund Balance

Cash and Equivalents and Investments

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

Inventories

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

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid insurance is the item recorded for 2017.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes Receivable

The property tax is levied each December 1st on the taxable valuation of property located in the County as of the preceding December 31st and is available for road maintenance purposes. The 2017 taxable valuation of \$488,334,511 for the Road Millage amounted to \$488,335 less \$0 for cities and villages of which ad valorem taxes of 1.0 mill was levied. This resulted in a taxes receivable amount of \$488,335.

In the government-wide financial statements, the tax is recorded as revenue when the tax is levied in the current year. Although the County's 2017 ad valorem tax is levied and collectible December 1, 2017, it is the Road Commission's policy to recognize revenues from the current tax levy in the subsequent year, when the proceeds of this levy are budgeted and made available for the financing of the Road Commission's operations in the governmental fund financial statements. The taxes receivable amount is offset to deferred inflows.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges and similar items), are reported in the operating fund in the government-wide financial statements. Capital assets are defined by the Montmorency County Road Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Equipment - Road	5 to 8 years
Equipment - Office	4 to 10 years
Equipment - Shop	10 years
Equipment - Engineering	4 to 10 years
Depletable Assets	10 to 50 years
Infrastructure – Roads	8 to 30 years
Infrastructure – Bridges	12 to 50 years

Deferred Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Road Commission has no items that qualify for reporting in this category.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Road Commission has other state grants and property taxes that qualify for reporting in this category.

Use of Estimates

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

Budgets and Budgetary Accounting - The County Road Commission follows the requirements of the Uniform Budgeting and Accounting Act, Michigan Public Act 2 of 1968, as amended, in the preparation and execution of its annual general appropriations act. Any violations are disclosed in audits of the County Road Commission financial statements as required by law. The budgets are amended as appropriate throughout the year and lapse at year end.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Road Commission is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Road Commission has classified Inventories and Prepaid Items as being Nonspendable as these items are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **Assigned:** This classification includes amounts that are constrained by the Road Commission’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Road Commission through the budgetary process. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.
- **Unassigned:** This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Road Commission would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

NOTE 2 - EXCESS EXPENDITURES OVER APPROPRIATIONS

Public Act 2 of 1968, as amended, Section 16 provides that a County Road Commission shall not incur expenditures in excess of amounts appropriated. As presented in the financial statements for the year ended December 31, 2017 the County Road Commission incurred expenditures in certain areas which were in excess of the amounts budgeted as listed on page 32.

NOTE 3 - CASH AND EQUIVALENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Account</u>		<u>Cash Items</u>	
Cash and Equivalents	\$ 1,932,134	Imprest Cash	\$ 200
	<u> </u>	Checking & Savings	<u>1,931,934</u>
	<u>\$ 1,932,134</u>		<u>\$ 1,932,134</u>

The Commission has the following fair value measurements as of December 31, 2017:

<u>Investment</u>	<u>Fair Value Balances at 12/31/2017</u>	<u>Quoted Prices (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Equity Securities:				
*Mutual Funds	\$ 2,230,602	\$ -	\$ -	\$ 2,230,602
*Other - OPEB	<u>36,252</u>	<u>-</u>	<u>-</u>	<u>36,252</u>
Total Investments	<u>\$ 2,266,854</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,266,854</u>

*Ratings were not available.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

Investments – Public Act 152, as amended, authorized the Commission to deposit and invest in the following:

- (a) Bonds and other direct obligations of the United States or its agencies.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the National Credit Union Administration that are eligible to be depository of surplus money belonging to the State under Section 5 or 6 of Act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- (c) Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase and not more than 50 percent of any fund may be invested in commercial paper at any time.
- (d) United States government or Federal agency obligation repurchase agreements.
- (e) Bankers' acceptance of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, 15 USC 80a-1 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the urban cooperation act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- (i) Investment pools organized under the surplus funds investment pool act, 1982 PA 367, MCL 129.111 to 129.118.
- (j) The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

The Road commission has trust investments at December 31, 2017.

The Road Commission has adopted the County's investment policy, which is in accordance with the provisions of Public Act 196 of 1997.

Interest rate risk. The Road Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized organizations. The Road Commission has no investment policy that would further limit its investment choices.

Custodial Deposit Credit Risk. – Custodial deposit credit risk is the risk that in the event of a bank failure, the Road Commission's deposits may not be returned. State law does not require and the Road Commission does not have a policy for deposit custodial credit risk. As of year end, \$1,645,934 of the Road Commission's bank balance of \$2,000,248 was exposed to credit risk because it was uninsured or uncollateralized.

NOTE 3 - CASH AND EQUIVALENTS (Continued)

Fair value measurement. The Road Commission categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or equivalent) as a practical expedient are not classified in the fair value hierarchy.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Road Commission’s assessment of the significance of particular inputs to these fair value measurements required judgment and considers factors specific to each asset or liability.

NOTE 4 - EQUIPMENT LEASES

The Road Commission has entered into cancelable operating equipment leases as follows:

<u>Equipment Item</u>	<u>Lease Date</u>	<u>Lease Maturity Date</u>	<u>Annual Lease Payment</u>	<u>Guaranteed Purchase Amount</u>
JD 644KXDW Wheel Loader	08/30/17	08/30/2023	\$ 24,055	\$ 138,280
JD 544KXDW Wheel Loader	10/16/17	10/16/2023	16,441	93,550
JD 544KXDW Wheel Loader	10/16/17	10/16/2023	16,755	95,500
JD 672GP Motor Grader	12/01/17	12/01/2023	23,049	202,100
JD 772GP Motor Grader	12/19/17	12/19/2023	23,641	222,100
JD 772GP Motor Grander	12/21/17	12/21/2023	23,489	217,650

Rent expense for fiscal 2017 was approximately \$127,500.

Subsequent Maturities are as follows for lease commitments:

2018	\$ 127,430
2019	127,430
2020	127,430
2021	127,430
2022	127,430

Montmorency County Road Commission

Notes to Financial Statements
December 31, 2017

NOTE 5 - CAPITAL ASSETS

Capital asset activity of the Montmorency County Road Commission for the current year was as follows:

	Beginning Balances 01/01/17	Additions	Adjustments/ Deductions	Ending Balances 12/31/17
<i>Capital Assets Not Being Depreciated</i>				
Land and Improvements	\$ 47,476	\$ -	\$ -	\$ 47,476
Infrastructure and Land Improvements	<u>11,311,958</u>	<u>436,912</u>	<u>-</u>	<u>11,748,870</u>
Subtotal	<u>11,359,434</u>	<u>436,912</u>	<u>-</u>	<u>11,796,346</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	1,999,378	-	-	1,999,378
Equipment - Road	3,860,536	316,079	634,300	3,542,315
Equipment - Shop	147,930	-	-	147,930
Equipment - Office	57,120	2,480	-	59,600
Equipment - Engineering	7,235	-	-	7,235
Depletable Assets	83,640	-	-	83,640
Infrastructure – Bridges	2,035,080	-	-	2,035,080
Infrastructure - Roads	<u>8,191,078</u>	<u>1,733,808</u>	<u>416,177</u>	<u>9,508,709</u>
Subtotal	<u>16,381,997</u>	<u>2,052,367</u>	<u>1,050,477</u>	<u>17,383,887</u>
<i>Less Accumulated Depreciation</i>				
Buildings	724,493	36,792	-	761,285
Equipment - Road	3,001,011	177,248	634,300	2,543,959
Equipment - Shop	91,267	14,007	-	105,274
Equipment - Office	49,493	3,464	-	52,957
Equipment - Engineering	7,235	-	-	7,235
Depletable Assets	27,940	-	-	27,940
Infrastructure – Bridges	930,798	50,877	-	981,675
Infrastructure – Roads	<u>3,611,296</u>	<u>504,239</u>	<u>416,177</u>	<u>3,699,358</u>
Subtotal	<u>8,443,533</u>	<u>786,627</u>	<u>1,050,477</u>	<u>8,179,683</u>
Net Capital Assets Being Depreciated	<u>7,938,464</u>	<u>1,265,740</u>	<u>-</u>	<u>9,204,204</u>
Total Net Capital Assets	<u>\$ 19,297,898</u>	<u>\$ 1,702,652</u>	<u>\$ -</u>	<u>\$ 21,000,550</u>

Depreciation expense was charged to programs of the Montmorency County Road Commission as follows:

Primary Road	\$ 377,049
Local Road	178,067
Equipment	177,248
Allocated	50,799
Administration	<u>3,464</u>
Total Depreciation Expense	<u>\$ 786,627</u>

NOTE 6 - RISK MANAGEMENT

The Montmorency County Road Commission has received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the Commission. In the opinion of management, any such disallowed claims may not have a material effect on any of the financial statements included herein or on the overall financial position of the Commission at December 31, 2017.

Montmorency County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorize contracts between Municipal Corporations (inter-local agreements) to form group self-insurance pools.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, vehicle liability coverages, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Montmorency County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, vehicle and equipment liability, bodily injury, property damage and personal injury liability. The Pool agreement provides that it shall be self-sustaining through member premiums and will purchase both specific and aggregate stop-loss insurance based upon limits determined by the Pool Board of Directors.

The Road Commission is also self-insured for worker's compensation as a member of the County Road Association Self Insurance Fund. The Road Commission was unable to provide an estimate of additional potential assessments under those arrangements.

NOTE 7 - PENSION PLAN

Plan Description - Montmorency County Road Commission has established a defined contribution pension plan with the Life and Annuity Insurance Company Great-West covering substantially all employees. Participating employees contribute a portion of their compensation annually and the Commission contributes the remaining amounts necessary to fund the plan according to requirements. The Commission is obligated for 5% of an employees base salary computed as of January 1 each year. The total employer contribution to the plan for 2017 was \$44,350.

Funding Status and Progress - Not all of the information required by the Governmental Accounting Standards Board disclosure requirements is included below because the year end reports did not contain the necessary information. The following information was provided, however.

Account Value at January 1, 2017	\$	1,889,182
Employer Contributions		44,350
Employee Contributions		40,036
Net Investment Earnings and Market Value Decrease		325,995
Administrative Fees		(20,047)
Distributions / Withdrawals		<u>(48,914)</u>
Total Plan Assets at December 31, 2017	\$	<u>2,230,602</u>

NOTE 8 - LONG-TERM DEBT

The following is a summary of pertinent information concerning the Road Commission’s long-term debt:

	Balance 01/01/17	Increases	Decreases	Balance 12/31/17	Due Within One Year
Notes Payable					
Huntington Bank	\$ 213,651	\$ -	\$ 42,444	\$ 171,207	\$ 43,344
Huntington Bank	270,470	-	53,731	216,739	54,871
Huntington Bank	60,733	-	60,733	-	-
Huntington Bank	49,025	-	49,025	-	-
Vested Employee Benefits Payable (1)	<u>114,036</u>	<u>18,067</u>	<u>-</u>	<u>132,103</u>	<u>-</u>
Total Long-Term Debt	<u>\$ 707,915</u>	<u>\$ 18,067</u>	<u>\$ 205,933</u>	<u>\$ 520,049</u>	<u>\$ 98,215</u>

(1) Record as a net increase or decrease.

Annual debt service requirements for long-term debt:

<u>Year End December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 98,215	\$ 7,205	\$ 105,420
2019	100,297	5,123	105,420
2020	102,423	2,997	105,420
2021	<u>87,011</u>	<u>839</u>	<u>87,850</u>
Total	<u>\$ 387,946</u>	<u>\$ 16,164</u>	<u>\$ 404,110</u>

On November 15, 2012, the Road Commission purchased three Western Star trucks and related equipment. Huntington Bank financed the transaction in two parts. One part financed the trucks and the other portion of the note purchased additional equipment which secures these notes. Monthly payments of \$5,583 and \$4,507 were due beginning December 15, 2012 with a final payment due November 15, 2017. Interest is charged at a rate of 2.25% per annum. The loans are secured by equipment.

In October of 2016, the Road Commission borrowed \$499,955 comprised of two installment loan of \$220,639 and \$279,316 to purchase three trucks. Monthly payments are \$3,877 and \$4908 respectively, until October 2021. Interest is charged at a rate of 2.1% per annum. The loans are secured by equipment.

Vested Employee Benefits

Road Commission policies provide for the payment of vacation, sick and personal days accumulated. Accrued sick pay at December 31, 2017 was \$88,441 and vacation and personal days accumulated created a liability of \$43,662 for a total of \$132,103.

NOTE 8 - LONG-TERM DEBT (Continued)

Regular employees may accumulate up to eight hundred (800) hours of sick leave of which fifty (50) hours may be used as personal time, if the employee has an accumulated sick leave balance of more than 750 hours. The employer will pay each employee one hundred percent (100%) for each sick leave hour which he/she would have accumulated in excess of the eight hundred (800) hour limit, such payment to be made in the pay period following the pay period in which such sick leave hours would have accumulated.

A regular employee may accumulate up to two hundred forty (240) hours of vacation credits. The employer will pay each employee one hundred percent (100%) for each vacation credit which he would have accumulated in excess of the 240 hour limit except as follows: Employees with at least 4 months but less than 10 years may accumulate up to 240 hours, employees with at least 10 years but less than 15 years may accumulate up to 264 hours, employees with at least 15 years but less than 20 years may accumulate up to 280 hours, employees with 20 or more years may accumulate up to 296 hours.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS

Effective for the 2008 calendar year, the Road Commission was required to implemented Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions, for certain health care reimbursements provided by the Road Commission to retired employees. The requirements of this statement are being implemented prospectively, using the alternative calculation provision of the statement for employers with less than 100 employees, with the accrued liability for benefits amortized over future years. No liability is reported at the transition date.

The Road Commission provides post retirement health care benefits to all employees who retire from the Road Commission. There were 12 retirees receiving benefits with an approximate annual cost of \$54,352. There were 19 active employees at December 31, 2017.

The following table shows the Road Commission’s annual OPEB cost and calculation of the Annual Required Contribution:

Annual required contribution (ARC)	\$	63,736
Interest on net OPEB obligation		26,509
Adjustment to ARC		<u>(32,849)</u>
Annual OPEB cost		57,396
Contributions made		<u>(54,352)</u>
Increase in net OPEB obligation		3,044
OPEB obligation beginning of year		<u>841,571</u>
OPEB obligation – end of year	\$	<u>844,615</u>

Funded Status and Funding Progress: As of December 31, 2017, the actuarial accrued liability for benefits was \$1,078,268, a portion of which is funded. The covered payroll (annual payroll of active employees covered by the plan) was \$615,625, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 169%.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (Continued)

The projection of future benefit payments for an ongoing plan involves 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 expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following this note, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 45 to 75 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on mortality tables set forth in IRS Regulations 61.430(h)(3) separately for males and females. The probability of remaining employed until the assumed retirement age and employee's expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

Assumptions About Healthcare Costs: The 2017 health plan fixed payments for retirees were used to calculate the present value of total benefits to be paid.

Other Assumptions and Methods: The inflation rate was assumed to be 2.0 percent. Based on expected returns of the investments, the investment rate of return was assumed to be 6.05 percent. The value of the Plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

NOTE 10 - SUBSEQUENT EVENT

During March 2018, the Road Commission executed purchase orders for trucks and related equipment in the amount of approximately \$63,000. Contracted road pavement projects were awarded for \$293,000, approximately.

NOTE 11 - FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that all road commissions report all federal and state grants pertaining to their county. During the year ended December 31, 2017, the federal aid received and expended by the Road Commission was \$1,246,799 for contracted 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). Local force account projects are projects where the Road Commissions perform the work and would be subject to single audit requirements if they expended \$750,000 or more. For 2017, Local Force Account projects amounted to zero.

Required Supplementary Information

Montmorency County Road Commission

Required Supplementary Information Employee Benefit Systems Schedule of Funding Progress December 31, 2017

Health Benefits:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percent of Covered Payroll ((b - a) / c)</u>
2015	\$ 28,650	\$ 1,077,598	\$ 1,048,948	2.7%	\$ 804,717	130%
2016	\$ 31,493	\$ 1,077,598	\$ 1,046,105	2.9%	\$ 667,284	157%
2017	\$ 36,252	\$ 1,078,268	\$ 1,042,016	3.4%	\$ 615,625	169%

Montmorency County Road Commission

Required Supplementary Information Budgetary Comparison Schedule Statement of Revenues - Budget and Actual For the Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes	\$ 500,000	\$ 495,200	\$ 487,042	\$ (8,158)
Licenses and Permits	18,000	25,000	25,864	864
Federal Sources				
STP Funds	323,000	323,000	1,246,799	923,799
State Sources				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Allocation	2,370,000	2,592,200	3,057,918	465,718
Snow Removal	30,000	33,000	34,155	1,155
Other	-	-	98,552	98,552
Forest Road	98,500	98,500	195,191	96,691
Contributions from Local Units				
Townships	200,000	280,000	276,443	(3,557)
Other	-	-	40,217	40,217
Charges for Services				
Salvage Sales	2,100	3,300	3,442	142
Other	-	-	41,062	41,062
Interest and Rents	2,100	4,700	5,074	374
Other Revenue				
Gain on Equipment Disposals	16,000	61,000	61,593	593
Other	2,300	35,000	1,494	(33,506)
Other Financing Sources				
Installment Proceeds	1,500,000	1,100,000	#REF!	#REF!
Total Revenues	<u>\$ 5,072,000</u>	<u>\$ 5,060,900</u>	<u>#REF!</u>	<u>#REF!</u>

Montmorency County Road Commission

Required Supplementary Information
Budgetary Comparison Schedule
Statement of Expenditures - Budget and Actual
For the Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road:				
Preservation - Structural Improvements	\$ 1,500,000	\$ 1,700,000	\$ 1,734,080	(34,080)
Maintenance	1,000,000	815,000	952,743	(137,743)
Local Road:				
Preservation - Structural Improvements	350,000	400,000	436,640	(36,640)
Maintenance	1,500,000	1,450,000	1,725,483	(275,483)
Administrative Expense - Net	300,000	250,000	270,984	(20,984)
Equipment Expense - Net	-	-	(102,970)	102,970
Capital Outlay - Net	210,000	160,000	87,049	72,951
Debt Service:				
Principal	207,000	212,000	205,933	6,067
Interest	10,500	12,000	10,358	1,642
Total Expenditures	5,077,500	4,999,000	<u>\$ 5,320,300</u>	<u>\$ (321,300)</u>
Fund Balance - January 1, 2017	<u>2,354,845</u>	<u>2,354,845</u>		
Total Budget	<u>\$ 7,432,345</u>	<u>\$ 7,353,845</u>		

Other Information

Montmorency County Road Commission

Analysis of Changes in Fund Balance For the Year Ended December 31, 2017

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$ 3,290,175	\$ 1,659,122	\$ 635,549	\$ 5,584,846
Total Expenditures	2,801,807	2,210,555	307,938	5,320,300
Excess of Revenues Over (Under) Expenditures	488,368	(551,433)	327,611	264,546
Optional Transfers	(450,000)	550,000	(100,000)	-
Fund Balance - January 1, 2017	11,677	3,897	2,339,271	2,354,845
Fund Balance - December 31, 2017	<u>\$ 50,045</u>	<u>\$ 2,464</u>	<u>\$ 2,566,882</u>	<u>\$ 2,619,391</u>

Montmorency County Road Commission

Analysis of Revenues For the Year Ended December 31, 2017

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Taxes	\$ -	\$ -	\$ 487,042	\$ 487,042
Licenses and Permits	-	-	25,864	25,864
Federal Sources				
STP Funds	1,246,799	-	-	1,246,799
State Sources				
Michigan Transportation Fund				
Engineering	5,926	4,074	-	10,000
Allocation	1,812,027	1,245,891	-	3,057,918
Snow Removal	-	34,155	-	34,155
Other	-	98,552	-	98,552
Forest Road	195,191	-	-	195,191
Contributions from Local Units				
Townships	-	276,443	-	276,443
Other	-	-	40,217	40,217
Charges for Services				
Salvage Sales	-	-	3,442	3,442
Other	-	-	41,062	41,062
Interest and Rents	20	7	5,047	5,074
Other Revenue				
Gain (Loss) on Equipment Disposals	30,212	-	31,381	61,593
Other	-	-	1,494	1,494
Total Revenues	<u>\$ 3,290,175</u>	<u>\$ 1,659,122</u>	<u>\$ 635,549</u>	<u>\$ 5,584,846</u>

Montmorency County Road Commission

Analysis of Expenditures For the Year Ended December 31, 2017

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation - Structural Improvements	\$ 1,734,080	\$ -	\$ -	\$ 1,734,080
Maintenance	952,743	-	-	952,743
Local Road				
Preservation - Structural Improvements	-	436,640	-	436,640
Maintenance	-	1,725,483	-	1,725,483
Administrative Expense - Net	150,153	120,831	-	270,984
Equipment Expense - Net	(27,704)	(72,399)	(2,867)	(102,970)
Capital Outlay - Net	(113,556)	-	200,605	87,049
Debt Service				
Principal	101,010	-	104,923	205,933
Interest	5,081	-	5,277	10,358
Total Expenditures	<u>\$ 2,801,807</u>	<u>\$ 2,210,555</u>	<u>\$ 307,938</u>	<u>\$ 5,320,300</u>

Report on Compliance



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL
AMBER N. MACK, CPA, PRINCIPAL

PHILLIP J. WOLF, CPA

**MEMBER AICPA
DIVISION FOR CPA FIRMS**

MEMBER MACPA

**OFFICES IN
MICHIGAN & WISCONSIN**

**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***

Board of County Road Commissioners
Montmorency County Road Commission
11445 M-32
Atlanta, Michigan 49709

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, major fund and aggregate remaining fund information of the Montmorency County Road Commission (a component unit of Montmorency County, Michigan), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Montmorency County Road Commission's basic financial statements and have issued our report thereon dated June 20, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Montmorency County Road Commission's internal control over financial reporting (internal control) to determine the 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 Montmorency County Road Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Montmorency 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies, listed as 2017-001 and 2017-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Montmorency 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2017-001.

Montmorency County Road Commission's Response to Findings

The Montmorency County Road Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Montmorency County Road Commission's responses were not subjected 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 20, 2018

Significant Deficiencies – Noncompliance with State Statutes

Expenditures in Excess of Appropriations—Budgetary Funds

Finding 2017-001

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 16 of Public Act 2 of 1968, as amended.

Condition: Our examination of procedures used by the Road Commission to adopt and maintain operating budgets for the Road Commission’s budgetary fund revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The Road Commission’s 2017 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level. As detailed, actual 2017 expenditures exceeded the board’s approved budget allocations for one general fund activity.

During the fiscal year ended December 31, 2017, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund as listed on page 32 of the financial statements.

Effect: Condition’s violate State Statutes.

Cause: Unknown.

Recommendation: We recommend that the Road Commission’s chief administrative officer and personnel responsible for administering the activities of the various funds of the Road Commission, develop budgetary control procedures for the General Fund which will assure that expenditures do not exceed amounts authorized in the General Appropriations Act, or amendments thereof.

Planned Corrective Action: Amounts will be maintained in the future.

- *Contact Person(s) Responsible for Correction:*
Todd Behring, Manager

Significant Deficiencies - Internal Control

Segregation of Duties

Finding 2017-002

Condition/Criteria: The Road Commission Clerk/Secretary performs several functions of receipting, disbursing, and posting to the general ledger. To provide a system of checks and balances, these functions are generally assigned to separate positions to minimize the potential for unauthorized transactions.

Effect: Lack of segregation of duties provides opportunities for inaccurate or unauthorized disbursements or transfers from road funds and increases the potential for inaccurate reporting of account activity.

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 added personnel.

Recommendation: The Board should be aware of the potential weakness in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

Planned Corrective Action: The Board has implemented compensating controls to reduce the risks discussed above such as dual signature checks and account reviews.

- *Contact Person(s) Responsible for Correction:*
Todd Behring, Manager



ANDERSON, TACKMAN & COMPANY, PLC
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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of County Road Commissioners
Montmorency County Road Commission
11445 M-32 West
Atlanta, Michigan 49709

We have audited the financial statements of the governmental activities, major fund and aggregate remaining fund information of the Montmorency County Road Commission (a component unit of the County of Montmorency, Michigan) for the year ended December 31, 2017, and have issued our reports thereon dated June 20, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

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

As stated in our engagement letter dated May 8, 2018, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

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

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

Generally accepted accounting principles provide for certain required supplementary information (RSI) to supplement the basic financial statements. Our responsibility with respect to the management's discussion and analysis, schedule of funding progress, and budgetary comparison schedules, which supplement the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI will not be audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we will not express an opinion or provide any assurance on the RSI.

We have been engaged to report on the individual schedules, which accompany the financial statements but are not RSI. Our responsibility for this other information, as described by professional standards, is to evaluate the presentation of the other information in relation to the financial statements as a whole and to report on whether the other information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters during May 8, 2018.

Significant Audit Findings

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Montmorency County Road Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by the Road Commission during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

- Management's estimate of the depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Vested Employee Benefits are based on current rates which may differ from rates used at time of distribution.
- Management's estimate of the Annual Required Contribution for OPEB Obligations, and Actuarial Accrued Liability and Actuarial Value of Assets was based on actuarial assumptions and estimates.

The financial statement disclosures are neutral, consistent and clear.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

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

Disagreement with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 20, 2018.

Management Consultations with Other Independent Accountants

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

Other Audit findings or Issues

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

Comments and Recommendations

Information Technology (Prior Year)

The Board may want to perform vulnerability or intrusion scans or tests to assure that unauthorized or illegal access to Road Commission software or data has not occurred to prevent or detect theft of private information. Additionally, this procedure detects "ghost" programs operating for other than Road Commission purposes due to the internet.

Status: No change.

Check Copies (Prior Year)

Due to changes in bank practices, the Road Commission does not receive canceled checks. The Road Commission should contact the bank to obtain "imaged" checks to assure compliance with state retention policies and to assure proper clearing of amounts by the bank.

Status: No change.

Capitalization Policy (Prior Year)

The Commission is required to develop a capitalization policy and guidelines for infrastructure and capital assets. A threshold of \$5,000 for infrastructure and \$1,000 for other capital assets should be sufficient for accurate reporting.

Status: No change.

Policies (Prior Year)

The Commission currently does not have a policy for ACH or EFT payments. Due to the increasing number of payments made in this manner, it is recommended that the Commission adopt a policy regarding these items.

Status: No change.

Other Postemployment Benefits (Prior Year)

In June 2015, the Governmental Accounting Standards Board issued Statement Number 75 – “Financial Reporting for Postemployment Benefits other than Pensions.” The standard addresses how to measure long-term liabilities and annual costs of Other Postemployment Benefits (OPEB) for the purposes of reporting them in the financial statements. The standard does not apply to how a governmental unit should fund future OPEB payments, however. The standard makes significant changes which will increase the liability and may adjust annual OPEB expense as well. A net OPEB liability will be reported in the employer’s statement of net position which could amount to a significant increase than past amounts reported. The OPEB expense will also be significantly more volatile, since there will likely be two sets of calculations for expense and funding. Additionally, changes in methods and assumptions used in the actuarial calculations, more extensive footnote disclosures and required supplementary information will be needed.

The standard is effective for fiscal years beginning after June 15, 2017. We encourage the Board and management to review the provisions of this new standard and anticipate its effect on the financial reporting process.

Uniform Administrative Requirements

As a precondition to receive federal funds, prospective recipients must have effective administrative and financial internal controls. The Uniform Guidance requires *written* policies and procedures regarding:

- Cash Management – Section 200.302(b)(6) payment procedures
- Allowability of Costs – Section 200.302(b)(7) in accordance with Subpart E – Cost Principals
- Conflict of Interest – Section 200.318(c) covering standards of conduct
- Procurement – Section 200.319(c) for purchasing
- Method of Conducting Technical Evaluations – Section 200.320(d)(3) regarding proposals
- Travel Reimbursement – Section 200.474(b) regarding travel expenses

Written policies should include provisions for training and consequences for violations of policies. The Commission should review its current written policies for compliance with the above requirements regarding federal awards and amend as necessary.

Prepaid Leases

During fiscal 2017, the Road Commission established annual operating lease payments for several pieces of equipment. Due to the varying payment dates of the annual payments, a prepaid lease asset should be established and amortized.

Stockpile Inventories

To improve road material physical count of inventories, the Board should implement specific cross section procedures to accurately report stockpile quantities. This would provide greater control and reporting over road material bulk quantities. This could be accomplished by cross section software or subcontracted to an outside engineer.

Transparency Reporting

Michigan Public Act 84 of 2015 requires units of government to provide specific finances, unfunded liabilities, debt service, performance dash board, and other information. The Road Commission has not updated its website for this required data for the most recent fiscal year. The Board should provide this data in accordance with state statute.

Single Approach for Reporting Leases

The Governmental Accounting Standards Board (GASB) issued guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The single approach is based on the principle that leases are financing of the right to use an underlying asset.

GASB Statement No. 87, *Leases*, provides guidance for lease contracts for nonfinancial assets – including vehicles heavy equipment, and buildings – but excludes nonexchange transactions, including donates assets, and leases of intangible assets.

Under the new Statement, a lessee government is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessor government is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements.

A lease also will report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset.
- Interest expense on the lease liability.
- Note disclosures about the lease, including a general description of the leasing arrangement, the amount of the lease assets recognized, and a schedule of future lease payment to be made.

Limited exceptions to the single-approach guidance are provided for:

- Short-term leases, defined as lasting a maximum of 12 months at inception, including any options to extend.
- Financial purchases.
- Certain regulated leases, such as between municipal airports and air carriers.

The full text of Statement 87 is available on the GASB website, www.gasb.org.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, schedule of funding progress, and budgetary comparison schedules, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquires of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and our knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the individual schedules, which accompany the financial statements but are not RSI. With respect to this other information, we made certain inquires of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This information is intended solely for the use of the Montmorency County Road Commission, the cognizant audit agencies and other federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC
Certified Public Accountants
Kincheloe, Michigan

June 20, 2018