

**SHIAWASSEE COUNTY ROAD COMMISSION
CORUNNA, MICHIGAN**

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

YEAR ENDED DECEMBER 31, 2022

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WITH *GOVERNMENT AUDITING STANDARDS*58-59



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INDEPENDENT AUDITOR'S REPORT

To the Board of the County Road Commissioners of
Shiawassee County
Corunna, Michigan

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shiawassee County Road Commission (the Commission), a component unit of Shiawassee County, Michigan, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Shiawassee County Road Commission as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statements contained in *Government Auditing Standards* issued for the comptroller general of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Shiawassee County Road Commission and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.

In preparing the financial statements, management is required to evaluate whether are conditions or events, considered in the aggregate, that raise substantial doubt about Shiawassee County Road Commission's ability to continue as a going concern for twelve months beyond the financial statements date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* and will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Shiawassee County Road Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shiawassee County Road Commission's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 22, 2023, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Maney Costeiran PC

May 22, 2023

SHIAWASSEE COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Shiawassee County Road Commission's (the Commission) financial performance provides an overview of the Commission's financial activities for the calendar year ended December 31, 2022. 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 Commission and present a long-term view of the 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 Commission's operations in more detail than the government-wide financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - management's discussion and analysis (this section), the basic financial statements, required supplementary information, and the other supplementary information section - an additional section that presents the operating fund broken down between primary, local, and county funds. The basic financial statements include two kinds of statements that present different views of the Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Commission's overall financial status. These statements report information about the 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 financial statements report the Commission's net position and how they have changed. "Net Position" is the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources - this is one way to measure the Commission's financial health.
- 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 SHIAWASSEE COUNTY ROAD COMMISSION AS A WHOLE

Government-Wide Financial Statements

The statement of net position and the statement of activities report information about the Commission, as a whole, and about its activities in a way that helps answer the question of whether the 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 Commission's assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 Commission's net position and how they have changed. The reader can think of the Commission's net position (the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources) as one way to measure the Commission's financial health. Over time, increases or decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Commission, additional nonfinancial factors such as changes in the county's property tax base, the condition of the Commission's roads, and changes in the law related to the gas taxes and its distribution need to be considered.

SHIAWASSEE COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The Commission currently has only one governmental fund, the General Operating Fund and one fiduciary fund, the Other Post Employment Benefit Fund (737). All of the Commission's operating activities are accounted for in the General Operating Fund. The General Operating Fund is a governmental fund type. The General Operating Fund budget vs. actual schedules are located in the required supplementary information (RSI). The other supplementary information (OSI) begins on page 47 and provides 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 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 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.

FINANCIAL ANALYSIS OF THE ROAD COMMISSION AS A WHOLE

The Commission's net position increased \$5,978,306 from \$60,464,958 to \$66,443,264 for the year ended December 31, 2022. The net position and change in net position are summarized below.

Net Position

Restricted net position have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed 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 only for the specific purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets, net of related debt) are considered restricted.

The primary reason for the increase of our net position in 2022 was due to an increase in our Michigan Transportation Funds (MTF) and a reduction in spending. A decrease in our noncurrent liabilities is related to a decrease in our pension liability.

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

Net Position (continued)

Net position for the years ended December 31, 2022 and 2021, is as follows:

	<u>2022</u>	<u>2021</u>
ASSETS		
Current and other assets	\$ 11,614,364	\$ 8,519,619
Capital assets	<u>54,948,486</u>	<u>51,765,468</u>
TOTAL ASSETS	<u>66,562,850</u>	<u>60,285,087</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>2,738,479</u>	<u>3,881,609</u>
LIABILITIES		
Current liabilities	386,072	287,369
Noncurrent liabilities	<u>483,893</u>	<u>1,972,360</u>
TOTAL LIABILITIES	<u>869,965</u>	<u>2,259,729</u>
DEFERRED INFLOWS OF RESOURCES	<u>1,988,100</u>	<u>1,442,009</u>
NET POSITION		
Net investment in capital assets	54,948,486	51,765,468
Restricted	3,748,007	895,255
Unrestricted	<u>7,746,771</u>	<u>7,804,235</u>
TOTAL NET POSITION	<u>\$ 66,443,264</u>	<u>\$ 60,464,958</u>

Changes in Net Position

A summary of changes in net position for the years ended December 31, 2022 and 2021 is presented below.

	<u>Governmental Activities</u>	
	<u>2022</u>	<u>2021</u>
REVENUES		
Program Revenues		
Charges for services	\$ 3,186,312	\$ 1,847,748
Operating grants and contributions	14,522,913	13,757,587
General Revenues		
Interest	<u>47,668</u>	<u>1,750</u>
TOTAL REVENUES	<u>17,756,893</u>	<u>15,607,085</u>

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

Changes in Net Position (continued)

	Governmental Activities	
	2022	2021
EXPENSES		
Primary road	\$ 1,552,745	\$ 806,062
Local road	2,352,803	2,221,779
State trunkline	2,426,337	1,217,061
Administrative - net	588,938	623,514
Equipment - net	690,142	616,258
Infrastructure depreciation	3,927,600	3,693,553
Loss on disposal of capital assets	240,022	174,640
	<u>11,778,587</u>	<u>9,352,867</u>
TOTAL EXPENSES		
	<u>\$ 5,978,306</u>	<u>\$ 6,254,218</u>
CHANGE IN NET POSITION		

The General Operating Fund

The Commission's General Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes. For the year ended December 31, 2022, the fund balance of the General Operating Fund increased \$1,389,927 compared to an increase of \$1,408,564 in the fund balance for the year ended December 31, 2021. Total operating revenues were \$17,756,893, an increase of \$1,996,045 compared to the year ended December 31, 2021. This difference in revenue resulted primarily from an increase of \$929,531 in state critical bridge revenue for Durand Road over Rush Creek and additional revenue from MDOT of \$1,286,874 for paving project on M-21 from Gould to State. The increase in our general operating fund was due many small line items that accumulate; an increase in our Township's contributions towards road projects of \$216,846; and an increase in our interest earned of \$45,918; MTF was trending down the first eleven months causing a decrease in spending. December's MTF was significantly greater due to marijuana payments making the revenue source whole.

Total expenditures were \$16,366,966, an increase of \$2,014,682 compared to the year ended December 31, 2021. This change in expenditures is primarily due to an increase in our State Trunkline non-maintenance expenditures of \$1,286,874 and an increase in our equipment operating expenditures of \$162,012 along with a decrease in our local maintenance expenditures of \$786,915 and increase in our primary structural improvement of \$1,684,054.

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

The General Operating Fund (continued)

A summary of changes in the fund level financial information of the General Operating Fund is as follows:

	<u>General Operating Fund</u>	
	<u>2022</u>	<u>2021</u>
REVENUES		
Licenses and permits	\$ 68,340	\$ 47,432
Federal grants	566,700	967,101
State grants	10,974,477	10,078,474
Contributions from local units	2,928,857	2,712,011
Charges for services	3,082,315	1,608,306
Interest and rents	56,925	13,897
Other	79,279	333,627
	<u>17,756,893</u>	<u>15,760,848</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
Primary roads	7,297,047	5,483,893
Local roads	5,600,076	6,023,892
State trunkline	2,426,337	1,217,061
Administrative - net	653,046	823,925
Equipment - net	766,051	821,445
Other	45,035	42,609
Capital outlay	(420,626)	(60,541)
	<u>16,366,966</u>	<u>14,352,284</u>
TOTAL EXPENDITURES		
NET CHANGE IN FUND BALANCE	1,389,927	1,408,564
FUND BALANCE - BEGINNING	<u>6,663,362</u>	<u>5,254,798</u>
FUND BALANCE - ENDING	<u>\$ 8,053,289</u>	<u>\$ 6,663,362</u>

BUDGETARY HIGHLIGHTS

Prior to the beginning of any year, the Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the 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 2022 was \$1,551,200 more than the original budget. This was primarily due a State Trunkline non maintenance agreement that was not in the original budget. The actual revenue recognized during 2022 was more than the final amended budget by \$511,807 mainly due to a marijuana tax transfer included in our December Michigan Transportation revenue.

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

The final amended expenditure budget for 2022 was \$1,224,034 more than the original budget primarily due to an increase our State Trunkline non-maintenance expenditures. The actual expenditures recognized during 2022 were less than the final amended budget by \$909,727.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2022, the Commission had invested \$54,948,486 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions, deductions, and reclassifications) of \$3,183,018 as follows:

	2022	2021
Capital assets not being depreciated	\$ 4,068,233	\$ 4,227,628
Capital assets being depreciated		
Buildings	3,421,949	3,421,949
Equipment	12,172,690	11,573,297
Infrastructure	85,946,105	81,440,829
Depletable assets	-	153,402
SUBTOTAL	101,540,744	96,589,477
TOTAL COST OF CAPITAL ASSETS	105,608,977	100,817,105
TOTAL ACCUMULATED DEPRECIATION	(50,660,491)	(49,051,637)
TOTAL NET CAPITAL ASSETS	\$ 54,948,486	\$ 51,765,468

This year's capital asset additions included the following:

Infrastructure - land improvements	\$ 79,048
Equipment	
Roads	563,991
Shop	21,360
Office	15,621
Infrastructure	
Roads	6,431,844
Bridges	1,259,665
TOTAL	\$ 8,371,529

More detailed information about the Commission's capital assets is presented in Note 3 to the financial statements.

Debt

As of December 31, 2022, the Commission had no outstanding loans.

Debt obligations include accrued compensated absences related to vacation pay and sick leave and related payroll taxes in the amount of \$306,518 as of December 31, 2022. More detailed information about the Commission's long-term liabilities is presented in Note 4 to the financial statements.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Board of County Road Commissioners considered many factors when setting the fiscal year 2023 budget. One of the factors is the economy. Although, the increase in road funding has been a good start to assisting us in addressing our primary roadways. In 2022, due to pandemic restrictions being lifted, we seen our revenues for our MTF get back on track. In 2023, we have estimated our MTF revenues to MDOT's projections and are hopeful that we will receive at a minimum those estimates. We also increased our eight-year plan projects for 2023. Below is a history of the projects we have completed since the Michigan Transportation Tax increased occurred in 2017.

In 2017, the Road Commission developed a four-year plan to improve our infrastructure based upon the projected increase in our MTF revenues. This four-year plan is to scratch course/chip seal just under 100 miles of roadway across all Townships in our county during the next four years, which began in 2018. Since that time, we have increased this to an eight-year plan. In 2018, there were two projects included in our four-year plan, Juddville Road (22.34 miles), a scratch course/chip seal project at an expenditure of \$1,585,389 and Bennington Road (9.33 miles) also a scratch course/chip seal project that was a total expenditure of \$694,371. In 2019, we completed a scratch course chip seal on Britton Road from Woodbury Road to the Antrim Township line (8.36 miles) at a budgeted cost of \$697,348, Bennington Road from Morrice Road to the Vernon Village limits (7.71) at a cost of \$745,383 and Newburg Road from Bancroft Road to the west Durand City Limits (3.77 miles) and then the east Durand City Limits to the County Line (2.54 miles) at a budgeted cost of \$676,069. In 2020, we completed a total of 24.03 miles of scratch course/chip seal projects at a total cost of \$1,939,415. They are as follows: Britton Road from the Perry Township line to Grand River road with a total of 6.50 miles at a total cost of \$499,662; Grand River Road from Cole Road to Reed Road with a total of 3.25 miles and a total cost of \$270,794; Bath Road from Reed Road to the Byron Village Limits with a total of 2.86 miles and a total cost of \$236,874; Warren Road from M-21 to Hibbard Road with a total of 3.03 miles and a total cost of \$236,968; Baldwin Road from M-21 to Hibbard Road with a total of 3.03 miles and a total cost of \$268,788; Priest Road from M-21 to Mason Road with a total of 1.54 miles and a total cost of \$129,276; Ruess Road from Mason Road to Wilkinson Road with a total of 1.07 miles a total cost of \$90,047; Reed Road from Grand River Road to Bath Road with a total of .55 miles and a total cost of \$47,805; lastly, Chipman Road from Mason Road to Cronk Road with a total of 2.2 miles and an estimated cost of \$207,006. In 2021, a total of 12.23 miles of scratch course chip seal projects were completed with a total of \$1,086,740. They are as follows: Vandekarr Road from Hibbard Road to the Owosso Charter Township line (2.05 miles) at a cost of \$382,911; Lytle Road from M-71 to Geeck Road (2.94 miles) at a cost of \$95,709; Vandekarr Road from the Owosso City Limits to the Caledonia Charter Township Line (0.17 miles) and a cost of \$5,719; Vandekarr Road from Bennington Road to Hibbard Road (1.17 miles) and a cost of \$95,043; and Lytle Road from Geeck Road to the west Lennon Village limits (5.90 miles) and a cost of \$507,348. In 2022, a total of 28.34 miles of scratch course/chip/fog seals at a total cost of \$2,258,597. They are as follows: Durand Road from Johnstone Road to Cronk Road (6.08 miles) at a cost of \$480,396; Durand Road from Cronk Road to Shipman Road (0.47 miles) at a cost of \$35,241; Durand Road from Lennon Road to the Vernon Township line (2.39 miles) at a cost of \$169,080; Durand Road from Venice Township line to Miller Road (5.11 miles) at a cost of \$386,678; Durand Road Miller Road to New Lothrop Road (2.34 miles) at a cost of \$231,706; Silver Lake Road from east Byron Village limits to the Genesee County Line (0.78 miles) at a cost of \$60,542; Byron Road from south Byron Village limits to the Livingston County line (2.56 miles) at a cost of \$199,273; Fowlerville Road from Lovejoy Road to Braden Road (1.0 miles) at a cost of \$86,552; Braden Road from Fowlerville Road to Bancroft Road (1.00 miles) at a cost of \$76,289; Braden Road from Bancroft Road to the Shiawassee Township line (5.32 miles) at a cost of \$428,926; New Lothrop Road from Durand Road to Bath Road (1.05 miles) at a cost of \$82,942; and Bancroft Road from Antrim Township line to Bancroft Village limits (0.24 miles) at a cost of \$20,972.

SHIAWASSEE COUNTY ROAD COMMISSION MANAGEMENT'S DISCUSSION AND ANALYSIS

In 2023, we are budgeted to complete (25.67 miles) of scratch course/chip/fog seals at a total estimated cost of \$2,808,462. Parmenter Road from Hibbard Road to Corunna City Limit (1.37 miles) at an estimated cost of \$149,878; Hibbard Road from 0.5 miles east of State Road to M-71 (2.64 miles) at an estimated cost of \$288,816; Johnstone - Between M-52 and State Road (3.01 miles) at an estimated cost of \$300,000; Morrice - Between M-52 and Hibbard Road (1.34 miles) at an estimated cost of \$146,596; Hibbard - Between M-52 and Cook Road (2.28 miles) at an estimated cost of \$249,432; Henderson Road from Smith Road to M-52 (2.93 miles) at an estimated cost of \$350,000; Chipman Road from Juddville Road to 850 feet north of Henderson Road (2.24 miles) at an estimated cost of \$245,056; Bancroft Road from Lansing Road to Parmenter Road (4.83 miles) at an estimated cost of \$528,402; Parmenter Road from Parmenter Road (east) to Hibbard Road (0.90 miles) at an estimated cost of \$98,460; Durand Road from Shipman Road to Lennon Road (3.62) at an estimated cost of \$396,028 Durand Road from Lansing Road to Durand City Limits (0.51 miles) at an estimated cost of \$55,794.

The Commission derives approximately 65.5% of its revenues from the Michigan Transportation Fund (MTF) fuel tax collected. The approved MTF budget for 2023 which was approved last December (2022), it was estimated that the Commission would receive \$10,026,740 which is a 0.18% decrease (\$17,786) to MTF revenues received in 2022. The Commission received approximately 16.5% of its revenues from township contributions during 2022. This amount fluctuates with the approved road projects and depends on the Townships budget as well as the projects that are approved by their boards annually. We are projected to receive \$2,648,194 in federal and state aid for road projects and bridges during 2023. The above items were all considered when adopting the budget for 2023. Amounts available for appropriation in the original 2023 budget are \$16,728,434, a decrease of \$782,501 from the 2022 final amended budget of \$17,510,935.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide the motoring public, citizens, and other interested parties a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Commission's administrative offices at 701 W. Corunna Avenue, Corunna, Michigan 48817.

BASIC FINANCIAL STATEMENTS

**SHIAWASSEE COUNTY ROAD COMMISSION
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 1,071,143
Investments	4,501,668
Accounts receivable	65,577
Due from other governmental units	
Federal/State	2,011,046
Local	41,702
Inventory	<u>925,600</u>
Total current assets	<u>8,616,736</u>
Noncurrent assets	
Capital assets not being depreciated	4,068,233
Capital assets, net of accumulated depreciation	50,880,253
Net other post-employment benefits asset	772,264
Net pension asset	<u>2,225,364</u>
Total noncurrent assets	<u>57,946,114</u>
TOTAL ASSETS	<u>66,562,850</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	2,595,294
Deferred outflows of resources related to OPEB	<u>143,185</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,738,479</u>
LIABILITIES	
Current liabilities	
Accounts payable	106,225
Accrued liabilities	54,095
Due to other governmental units	3,799
Current portion of compensated absences	<u>221,953</u>
Total current liabilities	<u>386,072</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	84,565
Advances from other governmental units	<u>399,328</u>
Total noncurrent liabilities	<u>483,893</u>
TOTAL LIABILITIES	<u>869,965</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>1,988,100</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,988,100</u>
NET POSITION	
Net investment in capital assets	54,948,486
Restricted for other post-employment benefits	915,449
Restricted for pension	2,832,558
Unrestricted	<u>7,746,771</u>
TOTAL NET POSITION	<u><u>\$ 66,443,264</u></u>

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

	<u>Governmental Activities</u>
PROGRAM EXPENSES	
Primary road	\$ 1,552,745
Local road	2,352,803
State trunkline	2,426,337
Administrative - net	588,938
Equipment - net	690,142
Infrastructure depreciation	3,927,600
Loss on disposal of capital assets	<u>240,022</u>
TOTAL PROGRAM EXPENSES	<u>11,778,587</u>
PROGRAM REVENUES	
Charges for services	3,186,312
Operating grants and contributions	<u>14,522,913</u>
TOTAL PROGRAM REVENUES	<u>17,709,225</u>
NET PROGRAM REVENUES	<u>5,930,638</u>
GENERAL REVENUES	
Interest	<u>47,668</u>
CHANGE IN NET POSITION	5,978,306
Net position, beginning of the year	<u>60,464,958</u>
Net position, end of the year	<u><u>\$ 66,443,264</u></u>

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2022**

	<u>General Operating Fund</u>
ASSETS	
Cash	\$ 1,071,143
Investments	4,501,668
Accounts receivable	65,577
Due from other governmental units	
Federal/State	2,011,046
Local	41,702
Inventory	<u>925,600</u>
TOTAL ASSETS	<u><u>\$ 8,616,736</u></u>
LIABILITIES	
Accounts payable	\$ 106,225
Accrued liabilities	54,095
Due to other governmental units	3,799
Advances from other governmental units	<u>399,328</u>
TOTAL LIABILITIES	<u>563,447</u>
FUND BALANCE	
Nonspendable	
Inventory	925,600
Assigned for subsequent years expenditures	69,275
Unassigned	<u>7,058,414</u>
TOTAL FUND BALANCE	<u>8,053,289</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 8,616,736</u></u>

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2022**

Total fund balance - governmental fund \$ 8,053,289

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

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

The cost of capital assets is	\$ 105,608,977	
Accumulated depreciation is	<u>(50,660,491)</u>	

Capital assets, net		54,948,486
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Governmental funds report actual pension/OPEB expenditures for the fiscal year, whereas the governmental activities will recognize the net pension/OPEB liability/asset as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension/OPEB plan investment earnings will be deferred over time in the government-wide financial statements. These amounts

Deferred outflows of resources related to pensions	2,595,294	
Deferred inflows of resources related to pensions	(1,988,100)	
Deferred outflows of resources related to OPEB	<u>143,185</u>	

750,379

Long-term assets do not represent an economic benefit in the current period and therefore are not reported in the Governmental Fund Balance Sheet. Long-term assets at year-end consist of:

Net other post-employment benefits asset	772,264	
Net pension asset	<u>2,225,364</u>	

2,997,628

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

Compensated absences		<u>(306,518)</u>
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Net position of governmental activities		<u><u>\$ 66,443,264</u></u>
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**SHIAWASSEE COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022**

	<u>General Operating Fund</u>
REVENUES	
Licenses and permits	\$ 68,340
Intergovernmental	14,470,034
Charges for services	3,082,315
Interest and rents	56,925
Other	<u>79,279</u>
TOTAL REVENUES	<u>17,756,893</u>
EXPENDITURES	
Current	
Primary road	7,297,047
Local road	5,600,076
State trunkline	2,426,337
Administrative - net	653,046
Equipment - net	766,051
Other	45,035
Capital outlay - net	<u>(420,626)</u>
TOTAL EXPENDITURES	<u>16,366,966</u>
NET CHANGE IN FUND BALANCE	1,389,927
Fund balance, beginning of year	<u>6,663,362</u>
Fund balance, end of year	<u><u>\$ 8,053,289</u></u>

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2022**

Net change in fund balance - governmental fund \$ 1,389,927

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

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

Capital outlay	\$ 8,371,529	
Equipment and administrative depreciation expense	(1,020,889)	
Infrastructure depreciation expense	<u>(3,927,600)</u>	
 Excess of capital outlay over depreciation expense		 3,423,040

In the statement of activities, only the gain or loss on the sale of the capital assets is reported, whereas in the governmental fund, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets sold. (240,022)

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

(Decrease) in deferred outflows of resources related to pensions	(1,286,315)	
(Increase) in deferred inflows of resources related to pensions	(791,216)	
Increase in deferred outflows of resources related to OPEB	143,185	
Decrease in deferred inflows of resources related to OPEB	245,125	
(Increase) in compensated absences	(13,931)	
Decrease in net pension asset	3,476,629	
Increase in net other post-employment benefits asset	<u>(368,116)</u>	
		<u>1,405,361</u>

Change in net position of governmental activities \$ 5,978,306

**SHIAWASSEE COUNTY ROAD COMMISSION
 FIDUCIARY FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2022**

	Retiree Health Care Trust
ASSETS	
Current assets	
Investments	\$ 2,261,531
LIABILITIES	
Current liabilities	
Accounts payable	-
NET POSITION	
Restricted for retiree health care benefits	\$ 2,261,531

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
 FIDUCIARY FUND
 STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2022**

	<u>Retiree Health Care Trust</u>
ADDITIONS	
Investment earnings	
Net change in fair value of investments	<u>\$ (215,365)</u>
DEDUCTIONS	
Benefit payments	203,687
Administrative expenses	<u>4,799</u>
TOTAL DEDUCTIONS	<u>208,486</u>
CHANGE IN NET POSITION	(423,851)
NET POSITION RESTRICTED FOR RETIREE HEALTH CARE BENEFITS	
Net position, beginning of year	<u>2,685,382</u>
Net position, end of year	<u><u>\$ 2,261,531</u></u>

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

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

The Shiawassee County Road Commission (the "Commission") is a component unit of Shiawassee County, Michigan. The Commission is used to control the expenditure of revenues from the State distribution of gas and weight taxes, federal financial assistance, and contributions from other local units of government for work performed for road projects throughout the county.

The Commission, which is established pursuant to the County Road Law (MCL 224.1), operates under an elected Board of three County Road Commissioners who establish policies and review operations of the Commission. The Commission provides services to 16 Townships in Shiawassee County and maintains over 1,094 miles of local and primary roads.

The financial statements of the Commission have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission's more significant accounting principles are described below.

Reporting Entity

The Commission is required by Public Act 51 of the State of Michigan to have an audit performed of its operations. This financial report has been prepared to meet this State requirement.

As required by accounting principles generally accepted in the United States of America, these financial statements are exclusive presentations of the financial condition and results of operations of the Commission. The Commission is considered a component unit of Shiawassee County, Michigan, and is discretely presented in Shiawassee County's (the Primary Government) financial statements. A copy of the County's audited financial statements may be obtained at the County Courthouse in Corunna, Michigan.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities (the government-wide financial statements) present information for the Commission as a whole.

The Statement of Activities presents the direct functional expenses of the Commission and the program revenues that support them. Direct expenses are specifically associated with a service or program and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and shows how governmental functions are either self-financing or supported by the general revenues of the Commission.

FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the Commission's funds, including its fiduciary fund. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Commission's individual major fund.

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

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

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

The *Major Fund* of the Commission is:

- a. The *General Operating Fund* is used to account for all financial resources of the Commission, which are restricted to expenditures for specified county road related purposes.

Additionally, the Commission reports the following *Fiduciary Fund*:

- a. The *Retiree Health Care Trust Fund* is used to account for the assets held in a trustee capacity to fund future retiree health benefits.

Measurement Focus

The government-wide and fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both “measurable” and “available to finance expenditures of the current period”). The length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues which are considered measurable, but not available, are recorded as a receivable and unavailable revenue. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Fiduciary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

If/when both restricted and unrestricted resources are available for use, it is the Commission’s policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

Budgets and Budgetary Accounting

The annual budget of the Commission is prepared by management and approved by the Board. Any revisions to the original budget are approved by the Board before the end of the fiscal year. The budget for the General Operating Fund is adopted on the modified accrual basis of accounting, which is consistent with GAAP.

Cash and Investments

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

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

In accordance with Michigan Compiled Laws, the Commission is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or Federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States Banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

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

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

Inventory

Inventory of road materials and equipment parts are recognized using the consumption method (inventory is recorded as an expenditure when it is used). Inventory is stated at average cost.

Capital Assets

Capital assets are reported under governmental activities within the operating fund in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical costs or estimated historical cost of purchase or construction. Donated capital assets are recorded at an estimated acquisition cost at the date of donation.

GASB Statement No. 34 required major networks and major subsystems of infrastructure assets acquired, donated, constructed, or substantially rehabilitated for fiscal years ending after June 30, 1980, be inventoried and capitalized.

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 - 50 years
Equipment	
Road	5 - 8 years
Shop	10 years
Sign shop	10 years
Office	4 - 10 years
Engineering	4 - 10 years
Infrastructure	
Roads	5 - 30 years
Bridges	12 - 30 years
Traffic signals	15 years
Land improvements	10 years

Advances From Other Governmental Units

Advances from other governmental units consist of amounts received from other units of government based on agreements for specified projects for which work has not yet begun.

Compensated Absences

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

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

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

Pension

The Commission offers a defined benefit pension plan to its employees. The Commission records a net pension asset for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Other Post-Employment Benefits Asset

The Commission offers retiree healthcare benefits to its employees. The Commission records a net OPEB asset for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows of Resources

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

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

Equipment Rentals

The Michigan Department of Transportation requires that the cost of operating equipment, including depreciation, be allocated to the various activities. The effect of this allocation is deducted from equipment expenditures reported in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

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

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

Details of Fund Balance Classifications

Fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five fund balance classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision-making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Fund Balance Classification Policies and Procedures

For committed fund balance, the Commission's highest level of decision-making authority is the Board. The formal action that is required to be taken to establish and modify or rescind a fund balance commitment is a Board motion.

For assigned fund balance, the Board has not approved a policy indicating who is authorized to assign amounts to a specific purpose. As a result, this authority is retained by the Board.

The Commission has not adopted a policy that defines the order of usage for fund balance amounts classified as restricted, committed, assigned, or unassigned. In the absence of such a policy, resources with the highest level of restriction will be used first.

Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2022, the Commission had deposits and investments subject to the following risk:

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Commission’s deposits may not be returned to it. As of December 31, 2022, \$904,978 of the Commission’s bank balance of \$1,483,528 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Commission’s deposits had a carrying amount of \$1,071,043 as of December 31, 2022. The cash caption on the balance sheet includes \$100 in imprest cash.

For an investment, this is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Commission will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the Commission will do business.

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
Michigan CLASS Investment Pool	<u>\$ 4,501,668</u>	0.0891

One day maturity equals 0.0027, one year equals 1.00.

Credit Risk

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

Investment Type	Fair Value	Standard & Poor's Rating
Michigan CLASS Investment Pool	<u>\$ 4,501,668</u>	AAAm

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

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

Foreign Currency Risk

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

Investments in Entities that Calculate Net Asset Value per Share

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

The Michigan CLASS investment pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated “A1” or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasuries and agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. It purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

The Commission holds shares or interests in the MERS total market fund where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. MERS invests assets in a manner which will seek the highest investment return consistent with the preservation of principal and meet the daily liquidity needs of participants.

At the year ended December 31, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if eligible</u>	<u>Redemption Notice Period</u>
Michigan CLASS Investment Pool	\$ 4,501,668	\$ -	No restrictions	None
MERS Total Market Portfolio	2,261,531	-	No restrictions	None
	<u>\$ 6,763,199</u>	<u>\$ -</u>		

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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

The following summarizes the categorization of these amounts as of December 31, 2022:

	Primary Government	Fiduciary Fund	Total
Cash	\$ 1,071,143	\$ -	\$ 1,071,143
Investments	4,501,668	2,261,531	6,763,199
	\$ 5,572,811	\$ 2,261,531	\$ 7,834,342

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2022, was as follows:

	Balance Jan. 1, 2022	Additions	Deletions	Balance Dec. 31, 2022
Capital assets not being depreciated				
Land	\$ 597,645	\$ -	\$ -	\$ 597,645
Infrastructure - land improvements	3,629,983	79,048	(238,443)	3,470,588
Subtotal	4,227,628	79,048	(238,443)	4,068,233
Capital assets being depreciated/depleted				
Buildings	3,421,949	-	-	3,421,949
Equipment -				
Road	11,040,951	563,991	(308)	11,604,634
Shop	250,322	21,360	(10,505)	261,177
Sign shop	-	10,505	-	10,505
Office	210,799	15,621	-	226,420
Engineering	71,225	-	(1,271)	69,954
Infrastructure -				
Roads	56,240,335	6,431,844	(3,186,233)	59,485,946
Bridges	24,767,586	1,259,665	-	26,027,251
Traffic signals	5,186	-	-	5,186
Land improvements	427,722	-	-	427,722
Depletable assets	153,402	-	(153,402)	-
Subtotal	96,589,477	8,302,986	(3,351,719)	101,540,744

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

NOTE 3 - CAPITAL ASSETS (continued)

	Balance Jan. 1, 2022	Additions	Deletions	Balance Dec. 31, 2022
Less accumulated depreciation/depletion				
Buildings	\$ (2,681,098)	\$ (126,423)	\$ -	\$ (2,807,521)
Equipment -				
Road	(8,737,850)	(825,606)	-	(9,563,456)
Shop	(162,062)	(12,159)	10,505	(163,716)
Sign shop	-	(10,505)	-	(10,505)
Office	(164,943)	(11,895)	-	(176,838)
Engineering	(60,996)	(2,034)	-	(63,030)
Infrastructure -				
Roads	(26,666,148)	(3,313,450)	3,186,233	(26,793,365)
Bridges	(10,167,467)	(613,804)	-	(10,781,271)
Traffic signals	(1,038)	(346)	-	(1,384)
Land improvements	(256,633)	(42,772)	-	(299,405)
Depletable assets	(153,402)	-	153,402	-
Subtotal	(49,051,637)	(4,958,994)	3,350,140	(50,660,491)
Net capital assets being depreciated/depleted	47,537,840	3,343,992	(1,579)	50,880,253
Capital assets, net	<u>\$ 51,765,468</u>	<u>\$ 3,423,040</u>	<u>\$ (240,022)</u>	<u>\$ 54,948,486</u>

Depreciation/depletion expense was charged to the following activities:

	Amount
Net equipment expense	
Direct equipment	\$ 905,786
Indirect equipment	87,595
Net administrative expense	27,508
Infrastructure	3,927,600
	<u>\$ 4,948,489</u>

NOTE 4 - LONG-TERM OBLIGATIONS

Compensated Absences - Vacation and Sick Leave

The following is a summary of changes in long-term obligations (including current portions) of the Commission for the year ended December 31, 2022:

	Balance Jan. 1, 2022	Additions	Deletions	Balance Dec. 31, 2022	Amounts Due Within One Year
Compensated absences	<u>\$ 292,587</u>	<u>\$ 225,796</u>	<u>\$ (211,865)</u>	<u>\$ 306,518</u>	<u>\$ 221,953</u>

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

NOTE 4 - LONG-TERM OBLIGATIONS (continued)

Compensated Absences - Vacation and Sick Leave (continued)

In accordance with Commission personnel policies and/or contracts negotiated with various employee groups of the Commission, individual employees have vested rights upon termination of employment to receive payment for unused vacation and sick leave under formulas and conditions specified in their respective personnel policies and/or contracts.

Accumulated vacation and sick leave and related payroll taxes represents a liability to the Commission, which is presented as a current liability in the current year because management estimates that usage in any given year will be the same percentage as the usage of the outstanding balance from the previous year.

NOTE 5 - FEDERAL FINANCIAL ASSISTANCE

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended December 31, 2022, the Federal aid received and expended by the Commission was \$513,967 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered 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. The Commission would be subject to single audit requirements if it expended \$750,000 or more for negotiated projects.

NOTE 6 - RETIREMENT PLAN

Plan Description

The Commission's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The Commission participates in the Municipal Employees' Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan's Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing MERS website at www.mersofmich.com.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Municipal Employees' Retirement System (MERS) of Michigan and additions to/deductions from MERS' fiduciary net position have been determined on the same basis as they are reported by MERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

NOTE 6 - RETIREMENT PLAN (continued)

Benefits Provided

Division:	10	11	13	14	15
Open/Closed	Closed	Closed	Closed	Closed	Open
Benefit Multiplier	2.50% (80% max)	2.50% (80% max)	2.00% (no max)	2.00% (no max)	1.50% (no max)
Normal Retirement Age	60	60	60	60	60
Vesting	10 years	6 years	8 years	10 years	10 years
Early Retirement (Unreduced)	55/25	55/25	-	-	-
Early Retirement (Reduced)	50/25	50/25	50/25	50/25	50/25
	55/15	55/15	55/15	55/15	55/15
Final Average Compensation:	3 years	3 years	3 years	5 years	3 years
COLA	2.50% (non-compound)	2.50% (non-compound)	-	-	-
Employee Contributions	7.00%	7.00%	5.00%	5.00%	5.00%
Act 88	Yes	Yes	Yes	Yes	Yes

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the Board of Road Commissioners. Benefit terms may be subject to binding arbitration in certain circumstances.

At the December 31, 2021, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	49
Inactive employees entitled to but not yet receiving benefits	13
Active employees	37
	99

Contributions

Article 9, Section 24 of the State of Michigan constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, MERS retains an independent actuary to determine the annual contribution. The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS retirement board. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The employer may establish contribution rates to be paid by its covered employees.

During the year ended December 31, 2022, the Commission's monthly contributions were 3.95% based on annual payroll for open divisions.

Payable to the Pension Plan

At December 31, 2022, there were no amounts outstanding by the Commission for contributions to the pension plan required for the year ended December 31, 2022.

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

NOTE 6 - RETIREMENT PLAN (continued)

Actuarial Assumptions

The total pension liability in the December 31, 2021 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.50%

Salary increases: 3.00% in the long-term plus a percentage based on age related scale to reflect merit, longevity, and promotional pay increases.

Investment rate of return: 7.00%, net of investment expenses, including inflation.

Although no specific price inflation assumptions are needed for the valuation, the 3.00% long-term wage inflation assumption would be consistent with a price inflation of 3.00 - 4.00%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

Projected Cash Flows

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

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

NOTE 6 - RETIREMENT PLAN (continued)

Projected Cash Flows (continued)

The target allocation and best estimates of geographic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Expected Money-weighted Rate of Return</u>
Global Equity	60.00%	4.50%	2.70%
Global Fixed Income	20.00%	2.00%	0.40%
Private investments	<u>20.00%</u>	7.00%	1.40%
	<u><u>100.00%</u></u>		
Inflation			2.50%
Administrative expenses netted above			<u>0.25%</u>
Investment rate of return			<u><u>7.25%</u></u>

Discount Rate

The discount rate used to measure the total pension asset is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because, for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

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

NOTE 6 - RETIREMENT PLAN (continued)

Net Pension Asset

The Commission's net pension asset was measured as of December 31, 2021, and the total pension liability used to calculate the Net Pension Asset was determined by an annual actuarial valuation as of that date.

Calculating the Net Pension (Asset)			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances as of December 31, 2020	\$ 22,499,241	\$ 21,247,976	\$ 1,251,265
Changes for the Year			
Service cost	176,036	-	176,036
Interest on total pension liability	1,661,711	-	1,661,711
Difference between expected and actual experience	(265,529)	-	(265,529)
Changes in assumptions	805,459	-	805,459
Employer contributions	-	2,831,523	(2,831,523)
Employee contributions	-	107,672	(107,672)
Net investment income	-	2,949,823	(2,949,823)
Benefit payments, including employee refunds	(1,445,270)	(1,445,270)	-
Administrative expense	-	(34,712)	34,712
Net changes	932,407	4,409,036	(3,476,629)
Balances as of December 31, 2021	\$ 23,431,648	\$ 25,657,012	\$ (2,225,364)

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

The following presents the Net Pension Asset of the Commission, calculated using the discount rates 7.25%, as well as what the Commission's Net Position Asset would be using a discount rate that is 1% point lower (6.25%) or 1% higher (8.25%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
Net pension (asset)	\$ (2,600,940)	\$ (2,235,364)	\$ (2,181,285)

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

NOTE 6 - RETIREMENT PLAN (continued)

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

For the year ended December 31, 2022, the Commission recognized a pension benefit of \$15,817. The Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 24,136	\$ 254,945
Changes in assumptions	887,880	-
Net difference between projected and actual earnings on pension plan investments	-	1,733,155
Contributions subsequent to the measurement date*	<u>1,683,278</u>	<u>-</u>
Total	<u>\$ 2,595,294</u>	<u>\$ 1,988,100</u>

* The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending December 31, 2023.

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

<u>Year Ending December 31,</u>	<u>Pension Expense</u>
2023	\$ 186,289
2024	(499,908)
2025	(506,559)
2026	<u>(255,906)</u>
	<u>\$ (1,076,084)</u>

Changes in Assumptions

The actuarial assumptions were changed during the year as follows:

- Decrease in investment rate of return from 7.35% to 7.00%.
- Change in discount rate from 7.60% to 7.25%.

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

NOTE 6 - RETIREMENT PLAN (continued)

Changes in Benefits

There were no changes of benefit terms during plan year 2021.

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

Shiawassee County Road Commission Retiree Health Care Plan (“the Plan”) is a single employer plan established and administered by Shiawassee County Road Commission (Employer). The Plan can be amended at the discretion of the Commission. The Commission provides hospitalization and medical coverage, as other post-employment benefits (OPEB), on a complimentary basis for all applicable employees, in accordance with the union agreements and/or personnel policies.

The Plan does not issue a separate stand-alone financial statement.

Plan Membership

Membership in the plan at December 31, 2022, (the last actuarial report) is as follows:

Retirees and beneficiaries	32
Active employees	-
	<hr/>
	32
	<hr/> <hr/>

Benefits Provided

The Commission provides certain retiree health care benefits as other post-employment benefits (OPEB) to all applicable employees, in accordance with union agreements and/or personal policies. Benefits are provided to all eligible union and administrative employees.

- Employees retiring between January 1, 1975, and December 31, 1991, will receive employer paid coverage for the retiree only. Coverage will be the same as the coverage for active employees.
- Employees retiring between January 1, 1992, and December 31, 1998, will receive employer paid coverage for the retiree and his or her spouse. Spouse shall be the person the employee was married to at the time of retirement. Coverage will be the same as the coverage for active employees.
- Employees retiring on or after January 1, 1999, and who have a seniority date prior to December 31, 1998, will receive employer paid coverage for the retiree only, unless they have a minimum of 25 years of seniority and are at least 55 years of age, then the employer will also pay for spouse coverage. Spouse shall be the person the employee was married to at the time of retirement. Coverage will be the same as the coverage for active employees.
- Employees hired after December 31, 1998, will not receive employer paid health care coverage upon retirement. They may continue their coverage by paying the monthly premium.

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Benefits Provided (continued)

The Plan does not issue a separate stand-alone financial statement.

Contributions

For the year ended December 31, 2022, the Commission made no payments for actual current premiums and did not contribute any additional funds to the plan trust. The Commission makes contributions to the extent possible but has no obligation to make contributions in advance of when the premiums are due for payment.

Net OPEB Asset

The net OPEB asset of the Commission was measured as of December 31, 2022, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2022.

Investment Policy

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

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary growth rate	N/A; all participants are retired
Investment rate of return	7.00% (including inflation)
Mortality	Public General 2010 Healthy Retiree, Headcount weighted
Improvement Scale	MP-2021

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the Commission’s fiduciary net position have been determined on the same basis as they are reported for the Commission. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Projected Cash Flows

Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The target allocation and best estimates of geographic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Rate of Return (including inflation)
Global equity	60.00%	4.50%
Global fixed income	20.00%	2.00%
Private assets	20.00%	7.00%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that the Road Commission will make no further contributions to the trust. 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. This discount rate is used to determine the total OPEB liability.

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Change in Net OPEB (Asset)

The changes in the net OPEB (asset) for the year ended December 31, 2022, are as follows:

Calculating the Net OPEB (Asset)			
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB (Asset) (a) - (b)
Balance at December 31, 2021	\$ 1,545,002	\$ 2,685,382	\$ (1,140,380)
Changes for the year			
Interest on total OPEB liability	106,072	-	106,072
Difference between expected and actual experience	11,868	-	11,868
Changes of assumptions	30,012	-	30,012
Net investment income	-	(215,365)	215,365
Benefit payments, including employee refunds	(203,687)	(203,687)	-
Administrative expense	-	(4,799)	4,799
Net changes	(55,735)	(423,851)	368,116
Balance at December 31, 2022	\$ 1,489,267	\$ 2,261,531	\$ (772,264)

Sensitivity of the net OPEB (Asset) to Changes in the Discount Rate

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

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB (asset)	\$ (679,089)	\$ (772,264)	\$ (854,809)

Sensitivity of the Net OPEB (Asset) to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset of the Commission, as well as what the Commission's net OPEB (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease	Current Trend	1% Increase
Net OPEB (asset)	\$ (773,980)	\$ (772,264)	\$ (770,517)

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

For the year ended December 31, 2022, the Commission recognized an OPEB benefit of \$20,194. At December 31, 2022, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 143,185	\$ -

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

Year Ending December 31,	OPEB Expense
2023	\$ (6,613)
2024	22,304
2025	46,479
2026	81,015
	\$ 143,185

Changes in Assumptions

The actuarial assumptions were changed during the year as follows:

- Decrease in investment rate of return from 7.35% to 7.00%.
- Change in discount rate from 7.60% to 7.25%.

Changes in Benefits

There were no changes in benefit terms during the plan year 2022.

NOTE 8 - CONTINGENT LIABILITIES

The Commission participates in a number of Federal and State assisted grant programs which are subject to compliance audits. The programs and the periodic program compliance audits of many of the programs have not yet been conducted, completed, or resolved. Accordingly, the Commission's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Commission expects such amounts, if any, to be immaterial.

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

NOTE 9 - RISK MANAGEMENT

The Commission participates in a pool, the Michigan County Road Commission Self-Insurance Pool, with other municipalities, for claims relating to general liability, trunkline, excess liability, auto liability, directors' and officers' liability, errors and omissions, and physical damage. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to a special assessment to make up the deficiency. The Commission has not been informed of any special assessments being required.

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

NOTE 10 - FLEXIBLE BENEFITS PLAN

In November 1993, the Commission implemented a flexible benefits cafeteria plan established under Section 125 of the Internal Revenue Service Code. The plan is available to all employees following 30 days of employment. The plan permits them to reduce their salary and put these amounts into a flexible benefits account up to certain limits. The plan allows the employee to reduce their salary and apply it to required premium payments. A participating employee may elect instead a cash alternative to supplement salary compensation in lieu of a nontaxable health benefit. An employee's elected cash alternative will be considered a taxable benefit under the Flexible Benefit Plan.

The plan is administered by the Shiawassee County Road Commission.

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2022, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which was issued by the GASB in June 2017. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

There was no material impact on the Commission's financial statements after the adoption of GASB Statement No. 87.

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

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections - an amendment of GASB Statement No. 62*. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Commission is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - REVENUES
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits				
Permits	\$ 55,000	\$ 66,000	\$ 68,340	\$ 2,340
Intergovernmental				
Federal sources				
Surface Transportation Program	358,188	358,188	358,188	-
Bridge	2,329	2,329	2,329	-
Other	201,758	153,708	153,450	(258)
State sources				
Motor Vehicle Highway Funds				
Engineering	10,000	10,000	10,000	-
Urban road	371,749	371,749	371,749	-
Primary road	6,546,803	6,546,803	6,546,803	-
Local road	10,323,926	9,679,451	3,115,974	(6,563,477)
Other				
Critical bridge	929,951	929,951	929,951	-
Other	52,733	52,733	52,733	-
Local sources				
Township contributions	2,600,000	2,929,000	2,928,857	(143)
Total intergovernmental	21,397,437	21,033,912	14,470,034	(6,563,878)
Charges for services				
State trunkline	952,564	2,747,439	2,884,879	137,440
Salvage sales	11,056	11,056	11,056	-
Other	186,380	186,380	186,380	-
Total charges for services	1,150,000	2,944,875	3,082,315	137,440
Interest and rents				
Interest	10,743	40,293	47,668	7,375
Rents	9,257	9,257	9,257	-
Total interest and rents	20,000	49,550	56,925	7,375
Other				
Sundry refunds	-	79,300	26,400	(52,900)
Miscellaneous	-	-	52,879	52,879
Total other	-	79,300	79,279	(21)
TOTAL REVENUES	\$ 22,622,437	\$ 24,173,637	\$ 17,756,893	\$ (6,416,744)

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current				
Primary road				
Preservation - structural improvements	\$ 5,496,000	\$ 4,870,743	\$ 5,027,985	\$ (157,242)
Routine and preventative maintenance	<u>2,770,825</u>	<u>2,628,258</u>	<u>2,269,062</u>	<u>359,196</u>
Total primary road	<u>8,266,825</u>	<u>7,499,001</u>	<u>7,297,047</u>	<u>201,954</u>
Local road				
Preservation - structural improvements	1,772,546	2,748,073	2,742,572	5,501
Routine and preventative maintenance	<u>3,120,825</u>	<u>3,178,701</u>	<u>2,857,504</u>	<u>321,197</u>
Total local road	<u>4,893,371</u>	<u>5,926,774</u>	<u>5,600,076</u>	<u>326,698</u>
State trunkline				
Maintenance	1,100,000	1,100,000	1,139,463	(39,463)
Non-maintenance	<u>-</u>	<u>1,286,875</u>	<u>1,286,874</u>	<u>1</u>
Total state trunkline	<u>1,100,000</u>	<u>2,386,875</u>	<u>2,426,337</u>	<u>(39,462)</u>
Administrative				
Administration	1,100,000	1,035,000	867,680	167,320
Less:				
Handling charges	(1,000)	(509)	(509)	-
Overhead - State	(205,000)	(208,547)	(208,547)	-
Purchase discount	<u>(8,900)</u>	<u>(8,444)</u>	<u>(5,578)</u>	<u>(2,866)</u>
Total administrative - net	<u>885,100</u>	<u>817,500</u>	<u>653,046</u>	<u>164,454</u>
Equipment				
Direct	1,886,439	1,886,439	1,886,439	-
Indirect	774,701	774,701	774,701	-
Operating	403,013	403,103	403,103	-
Less: Equipment rental	<u>(1,835,552)</u>	<u>(1,805,280)</u>	<u>(2,298,192)</u>	<u>492,912</u>
Total equipment - net	<u>1,228,601</u>	<u>1,258,963</u>	<u>766,051</u>	<u>492,912</u>
Other				
Miscellaneous	<u>30,000</u>	<u>30,000</u>	<u>45,035</u>	<u>(15,035)</u>
Capital outlay				
Capital outlay	599,701	599,701	599,701	-
Less:				
Depreciation and depletion	<u>(950,939)</u>	<u>(1,242,121)</u>	<u>(1,020,327)</u>	<u>(221,794)</u>
Total capital outlay - net	<u>(351,238)</u>	<u>(642,420)</u>	<u>(420,626)</u>	<u>(221,794)</u>
TOTAL EXPENDITURES	<u><u>\$ 16,052,659</u></u>	<u><u>\$ 17,276,693</u></u>	<u><u>\$ 16,366,966</u></u>	<u><u>\$ 909,727</u></u>

**SHIAWASSEE COUNTY ROAD COMMISSION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CHANGES IN COMMISSION'S NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST EIGHT MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 176,036	\$ 189,390	\$ 185,571	\$ 172,712	\$ 173,170	\$ 164,733	\$ 168,071	\$ 188,524
Interest	1,661,711	1,609,570	1,602,921	1,616,197	1,584,170	1,579,866	1,535,981	1,503,566
Changes of benefit terms	-	-	-	-	-	-	2,725	-
Difference between expected and actual experience	(265,529)	(233,778)	96,544	(558,982)	52,339	(316,063)	(198,080)	-
Changes of assumptions	805,459	555,617	662,807	-	-	-	959,644	-
Benefit payments, including employee refunds	(1,445,270)	(1,410,839)	(1,404,559)	(1,400,061)	(1,418,156)	(1,339,758)	(1,323,612)	(1,254,280)
Other	-	(1)	1	(1)	-	(1)	(4,617)	(1)
Net change in total pension liability	932,407	709,959	1,143,285	(170,135)	391,523	88,777	1,140,112	437,809
Total pension liability, beginning	<u>22,499,241</u>	<u>21,789,282</u>	<u>20,645,997</u>	<u>20,816,132</u>	<u>20,424,609</u>	<u>20,335,832</u>	<u>19,195,720</u>	<u>18,757,911</u>
Total pension liability, ending	<u>\$ 23,431,648</u>	<u>\$ 22,499,241</u>	<u>\$ 21,789,282</u>	<u>\$ 20,645,997</u>	<u>\$ 20,816,132</u>	<u>\$ 20,424,609</u>	<u>\$ 20,335,832</u>	<u>\$ 19,195,720</u>
Plan fiduciary net position								
Contributions - employer	\$ 2,831,523	\$ 2,162,746	\$ 1,518,139	\$ 1,081,607	\$ 1,029,796	\$ 2,744,068	\$ 1,530,931	\$ 998,480
Contributions - employee	107,672	111,217	106,645	100,542	96,885	92,334	87,327	95,537
Net investment income	2,949,823	2,636,338	2,113,047	(644,779)	1,951,640	1,367,458	(175,195)	708,356
Benefit payments, including employee refunds	(1,445,270)	(1,410,839)	(1,404,559)	(1,400,061)	(1,418,156)	(1,339,758)	(1,323,612)	(1,254,280)
Administrative expenses	(34,712)	(36,516)	(36,413)	(31,845)	(30,892)	(26,980)	(25,846)	(26,010)
Net change in plan fiduciary net position	4,409,036	3,462,946	2,296,859	(894,536)	1,629,273	2,837,122	93,605	522,083
Plan fiduciary net position, beginning	<u>21,247,976</u>	<u>17,785,030</u>	<u>15,488,171</u>	<u>16,382,707</u>	<u>14,753,434</u>	<u>11,916,312</u>	<u>11,822,707</u>	<u>11,300,624</u>
Plan fiduciary net position, ending	<u>\$ 25,657,012</u>	<u>\$ 21,247,976</u>	<u>\$ 17,785,030</u>	<u>\$ 15,488,171</u>	<u>\$ 16,382,707</u>	<u>\$ 14,753,434</u>	<u>\$ 11,916,312</u>	<u>\$ 11,822,707</u>
Commission's net pension liability (asset)	<u>\$ (2,225,364)</u>	<u>\$ 1,251,265</u>	<u>\$ 4,004,252</u>	<u>\$ 5,157,826</u>	<u>\$ 4,433,425</u>	<u>\$ 5,671,175</u>	<u>\$ 8,419,520</u>	<u>\$ 7,373,013</u>
Plan fiduciary net position as a percentage of the total pension liability	109%	94%	82%	75%	79%	72%	59%	62%
Covered payroll	\$ 1,964,241	\$ 2,009,902	\$ 1,995,503	\$ 1,851,826	\$ 1,818,323	\$ 1,671,608	\$ 1,610,460	\$ 1,777,036
Commission's net pension liability (asset) as a percentage of covered payroll	(113%)	62%	201%	279%	244%	339%	523%	415%

**SHIAWASSEE COUNTY ROAD COMMISSION
DEFINED BENEFIT PENSION PLAN
SCHEDULE OF COMMISSION'S PENSION CONTRIBUTIONS
LAST EIGHT FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial determined contributions ⁽¹⁾	\$ 1,263,618	\$ 1,140,742	\$ 842,885	\$ 818,139	\$ 745,752	\$ 1,029,796	\$ 544,460	\$ 507,661
Contributions in relation to the actuarially determined contribution	<u>1,683,278</u>	<u>1,990,781</u>	<u>1,319,861</u>	<u>1,518,139</u>	<u>1,081,752</u>	<u>1,029,796</u>	<u>2,745,068</u>	<u>1,530,931</u>
Contribution deficiency (excess)	<u>\$ (419,660)</u>	<u>\$ (850,039)</u>	<u>\$ (476,976)</u>	<u>\$ (700,000)</u>	<u>\$ (336,000)</u>	<u>\$ -</u>	<u>\$ (2,200,608)</u>	<u>\$ (1,023,270)</u>
Covered payroll	<u>\$ 1,920,644</u>	<u>\$ 2,011,654</u>	<u>\$ 2,076,210</u>	<u>\$ 1,994,286</u>	<u>\$ 1,878,715</u>	<u>\$ 1,812,443</u>	<u>\$ 1,681,219</u>	<u>\$ 1,679,873</u>
Contributions as a percentage of covered payroll	88%	99%	64%	76%	58%	57%	163%	91%

⁽¹⁾ The actuarially determined contribution was calculated based on projected covered payroll. Employer contributions were made in full based on actual covered payroll. Accordingly, the actuarially-determined contribution has been expressed above as a percentage of actual payroll.

**SHIAWASSEE COUNTY ROAD COMMISSION
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF CHANGES IN EMPLOYER'S NET OPEB LIABILITY (ASSET) AND RELATED RATIOS
LAST FIVE MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service cost	\$ -	\$ 594	\$ 695	\$ 1,032	\$ 2,484
Interest	106,072	125,930	132,868	120,737	83,884
Difference between expected and actual experience	11,868	(201,576)	(23,678)	(41,679)	2,525
Changes of assumptions	30,012	(4,448)	-	(65,580)	(397,706)
Benefit payments, including employee refunds	<u>(203,687)</u>	<u>(176,478)</u>	<u>(231,877)</u>	<u>(219,011)</u>	<u>(268,719)</u>
Net change in total OPEB liability	(55,735)	(255,978)	(121,992)	(204,501)	(577,532)
Total OPEB liability, beginning	<u>1,545,002</u>	<u>1,800,980</u>	<u>1,922,972</u>	<u>2,127,473</u>	<u>2,705,005</u>
Total OPEB liability, ending	<u>\$ 1,489,267</u>	<u>\$ 1,545,002</u>	<u>\$ 1,800,980</u>	<u>\$ 1,922,972</u>	<u>\$ 2,127,473</u>
Plan fiduciary net position					
Contributions to OPEB trust - employer	\$ -	\$ -	\$ -	\$ 825,000	\$ 1,050,000
Benefit payments made from general operating funds	-	-	-	219,011	268,719
Net investment income (loss)	(215,365)	350,929	292,938	264,628	(55,995)
Benefit payments, including employee refunds	(203,687)	(176,478)	(231,877)	(219,011)	(268,719)
Administrative expenses	<u>(4,799)</u>	<u>(4,830)</u>	<u>(4,240)</u>	<u>(3,972)</u>	<u>(1,706)</u>
Net change in plan fiduciary net position	(423,851)	169,621	56,821	1,085,656	992,299
Plan fiduciary net position, beginning	<u>2,685,382</u>	<u>2,515,761</u>	<u>2,458,940</u>	<u>1,373,284</u>	<u>380,985</u>
Plan fiduciary net position, ending	<u>\$ 2,261,531</u>	<u>\$ 2,685,382</u>	<u>\$ 2,515,761</u>	<u>\$ 2,458,940</u>	<u>\$ 1,373,284</u>
Commission's net OPEB liability (asset)	<u>\$ (772,264)</u>	<u>\$ (1,140,380)</u>	<u>\$ (714,781)</u>	<u>\$ (535,968)</u>	<u>\$ 754,189</u>
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	152%	174%	140%	128%	65%
Covered payroll	N/A	\$ 38,361	\$ 116,808	\$ 110,255	\$ 99,317
Commission's net OPEB liability (asset) as a percentage of covered payroll	N/A	(2,973%)	(612%)	(486%)	759%

**SHIAWASSEE COUNTY ROAD COMMISSION
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF COMMISSION'S OPEB CONTRIBUTIONS
LAST FIVE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	2022	2021	2020	2019	2018
Actuarial determined contributions	\$ -	\$ -	\$ -	\$ 77,707	\$ 199,711
Employer Contributions	-	-	-	1,044,011	1,318,719
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (966,304)	\$ (1,119,008)
Covered payroll	N/A	\$ 38,361	\$ 116,808	\$ 110,255	\$ 99,317
Contributions as a percentage of covered payroll	N/A	0%	0%	947%	1,328%

Actuarial valuation information relative to the determination of contributions:

Valuation date December 31, 2022

Measurement date December 31, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percent of pay, closed
Remaining amortization period	Not applicable
20-year Aa Municipal Bond Rate	2.25%
Asset valuation method	Market value
Payroll inflation	N/A; all participants are retired.
Medical and vision inflation rate, pre-65	7.50% graded down to 4.50% by 0.25% per year
Medical and vision inflation rate, post-65	5.75% graded down to 4.50% by 0.25%, 2.50% for vision
Investment rate of return	7.00%
Retirement age	N/A; all participants are retired.
Mortality	Public General 2010 Health Retiree, Headcount Weighted

**SHIAWASSEE COUNTY ROAD COMMISSION
 OTHER POST-EMPLOYMENT BENEFITS PLAN
 SCHEDULE OF INVESTMENT RETURNS
 LAST FIVE FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
 (AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	2022	2021	2020	2019	2018
Annual money-weighted rate of return, net of investment expenses	-11.36%	14.21%	12.35%	12.73%	-7.97%

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021**

NOTE 1 - EMPLOYEE RETIREMENT SYSTEM

Changes of Benefits Terms: There were no changes of benefit terms during plan year 2021.

Changes in Assumptions: Decrease in investment rate of return from 7.35% to 7.00%.
Change in discount rate from 7.60% to 7.25%.

NOTE 2 - OTHER POST-EMPLOYMENT BENEFITS PLAN

Changes of Benefits Terms: There were no changes of benefit terms during plan year 2022.

Changes in Assumptions: Reduction in discount rate from 7.35% to 7.00%.

OTHER SUPPLEMENTARY INFORMATION

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022**

TOTAL REVENUES	\$ 17,756,893
TOTAL EXPENDITURES	<u>16,366,966</u>
NET CHANGE IN FUND BALANCE	1,389,927
Fund balance, beginning of year	<u>6,663,362</u>
Fund balance, end of year	<u><u>\$ 8,053,289</u></u>

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2022**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
TOTAL REVENUES	\$ 9,002,072	\$ 5,564,751	\$ 3,190,070	\$ 17,756,893
TOTAL EXPENDITURES	7,924,122	6,255,321	2,187,523	16,366,966
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,077,950	(690,570)	1,002,547	1,389,927
OTHER FINANCING SOURCES (USES)				
Optional transfers in	-	1,500,000	-	1,500,000
Optional transfers out	(1,500,000)	-	-	(1,500,000)
TOTAL OTHER FINANCING SOURCES (USES)	(1,500,000)	1,500,000	-	-
NET CHANGE IN FUND BALANCE	(422,050)	809,430	1,002,547	1,389,927
Fund balance, beginning of year	2,036,814	157,889	4,468,659	6,663,362
Fund balance, end of year	\$ 1,614,764	\$ 967,319	\$ 5,471,206	\$ 8,053,289

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED DECEMBER 31, 2022**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
REVENUES				
Licenses and permits				
Permits	\$ 17,085	\$ 17,085	\$ 34,170	\$ 68,340
Intergovernmental				
Federal sources	513,967	-	-	513,967
State sources	7,809,766	3,217,444	-	11,027,210
Local sources	596,683	2,329,092	3,082	2,928,857
Total intergovernmental	8,920,416	5,546,536	3,082	14,470,034
Charges for services				
State trunkline	-	-	2,884,879	2,884,879
Salvage sales	-	-	11,056	11,056
Other	-	-	186,380	186,380
Total charges for services	-	-	3,082,315	3,082,315
Interest and rents				
Interest	14,571	1,130	31,967	47,668
Rents	-	-	9,257	9,257
Total interest and rents	14,571	1,130	41,224	56,925
Other				
Sundry refunds	-	-	26,400	26,400
Miscellaneous	50,000	-	2,879	52,879
Total other	50,000	-	29,279	79,279
TOTAL REVENUES	\$ 9,002,072	\$ 5,564,751	\$ 3,190,070	\$ 17,756,893

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2022**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
EXPENDITURES				
Preservation - structural improvements	\$ 5,027,985	\$ 2,742,572	\$ -	\$ 7,770,557
Routine and preventative maintenance	2,269,062	2,857,504	-	5,126,566
State trunkline	-	-	2,426,337	2,426,337
Administrative expense - net	369,486	283,560	-	653,046
Equipment expense - net	257,589	371,685	136,777	766,051
Other	-	-	45,035	45,035
Capital outlay - net	-	-	(420,626)	(420,626)
	<u>\$ 7,924,122</u>	<u>\$ 6,255,321</u>	<u>\$ 2,187,523</u>	<u>\$ 16,366,966</u>
TOTAL EXPENDITURES				



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**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 of
Shiawassee County
Corunna, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Shiawassee County Road Commission (the Commission), a component unit of Shiawassee County, Michigan, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated May 22, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Maney Costeiran PC

May 22, 2023