

**SHIAWASSEE COUNTY ROAD COMMISSION
CORUNNA, MICHIGAN**

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

YEAR ENDED DECEMBER 31, 2023

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WITH *GOVERNMENT AUDITING STANDARDS*58-59



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INDEPENDENT AUDITOR'S REPORT

To the Board of 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 Shiawassee County Road Commission (the Commission), a component unit of Shiawassee County, Michigan, as of and for the year ended December 31, 2023, 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, 2023, 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 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 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 management's discussion and analysis and other 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 9, 2024, 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 9, 2024

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, 2023. 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 54 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 \$7,219,409 from \$66,443,264 to \$73,662,673 for the year ended December 31, 2023. 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 2023 was due to an increase in our Michigan Transportation Funds (MTF).

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

Net Position (continued)

Net position for the years ended December 31, 2023 and 2022, is as follows:

	<u>2023</u>	<u>2022</u>
ASSETS		
Current and other assets	\$ 11,154,539	\$ 11,614,364
Capital assets	<u>59,857,002</u>	<u>54,948,486</u>
TOTAL ASSETS	<u>71,011,541</u>	<u>66,562,850</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>5,014,308</u>	<u>2,738,479</u>
LIABILITIES		
Current liabilities	844,951	386,072
Noncurrent liabilities	<u>1,429,715</u>	<u>483,893</u>
TOTAL LIABILITIES	<u>2,274,666</u>	<u>869,965</u>
DEFERRED INFLOWS OF RESOURCES	<u>88,510</u>	<u>1,988,100</u>
NET POSITION		
Investment in capital assets	59,857,002	54,948,486
Restricted	965,077	3,748,007
Unrestricted	<u>12,840,594</u>	<u>7,746,771</u>
TOTAL NET POSITION	<u><u>\$ 73,662,673</u></u>	<u><u>\$ 66,443,264</u></u>

Changes in Net Position

A summary of changes in net position for the years ended December 31, 2023 and 2022 is presented below.

	<u>Governmental Activities</u>	
	<u>2023</u>	<u>2022</u>
REVENUES		
Program Revenues		
Charges for services	\$ 1,381,034	\$ 3,186,312
Operating grants and contributions	7,500,218	14,522,913
Capital grants and contributions	8,754,428	-
General Revenues		
Interest	281,721	47,668
Other	<u>1,271,242</u>	<u>-</u>
TOTAL REVENUES	<u>19,188,643</u>	<u>17,756,893</u>

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

Changes in Net Position (continued)

	Governmental Activities	
	2023	2022
EXPENSES		
Primary road	\$ 2,072,339	\$ 1,552,745
Local road	2,965,405	2,352,803
State trunkline	960,356	2,426,337
Administrative - net	753,280	588,938
Equipment - net	514,515	690,142
Infrastructure depreciation	4,234,681	3,927,600
Loss on disposal of capital assets	468,658	240,022
	11,969,234	11,778,587
 TOTAL EXPENSES	 11,969,234	 11,778,587
 CHANGE IN NET POSITION	 \$ 7,219,409	 \$ 5,978,306

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, 2023, the fund balance of the General Operating Fund increased \$1,162,027 compared to an increase of \$1,389,927 in the fund balance for the year ended December 31, 2022. Total operating revenues were \$19,188,643, an increase of \$1,431,750 compared to the year ended December 31, 2022. This difference in revenue resulted primarily from an increase of \$1,784,200 in federal grant revenue. 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 \$429,629; and an increase in our interest earned of \$226,518; 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 \$18,026,616, an increase of \$1,659,650 compared to the year ended December 31, 2022. This change in expenditures is primarily due to an increase in our local roads expenditures of \$1,578,073 and an increase in our capital expenditures of \$812,936.

**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>2023</u>	<u>2022</u>
REVENUES		
Licenses and permits	\$ 63,430	\$ 68,340
Federal grants	2,254,708	566,700
State grants	10,641,452	10,974,477
Contributions from local units	3,358,486	2,928,857
Charges for services	1,315,862	3,082,315
Interest and rents	283,443	56,925
Other	1,271,262	79,279
	<u>19,188,643</u>	<u>17,756,893</u>
EXPENDITURES		
Current		
Primary roads	7,547,960	7,297,047
Local roads	7,178,149	5,600,076
State trunkline	1,183,625	2,426,337
Administrative - net	898,686	653,046
Equipment - net	714,001	766,051
Other	111,885	45,035
Capital outlay	392,310	(420,626)
	<u>18,026,616</u>	<u>16,366,966</u>
TOTAL EXPENDITURES	<u>18,026,616</u>	<u>16,366,966</u>
NET CHANGE IN FUND BALANCE	1,162,027	1,389,927
FUND BALANCE - BEGINNING	<u>8,053,289</u>	<u>6,663,362</u>
FUND BALANCE - ENDING	<u>\$ 9,215,316</u>	<u>\$ 8,053,289</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 2023 was \$1,871,264 more than the original budget. This was primarily due to the sale of land that was not in the original budget. The actual revenue recognized during 2023 was more than the final amended budget by \$588,945 mainly due to a marijuana tax transfer included in our December Michigan Transportation revenue.

The final amended expenditure budget for 2023 was \$1,175,101 more than the original budget primarily due to an increase our capital outlay expenditures. The actual expenditures recognized during 2023 were more than the final amended budget by \$53,806.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2023, the Commission had invested \$59,857,002 in capital assets, net of accumulated depreciation. This amount represents a net increase (including additions, deductions, and reclassifications) of \$4,908,516 as follows:

	2023	2022
Capital assets not being depreciated	\$ 3,961,212	\$ 4,068,233
Capital assets being depreciated		
Buildings	3,653,767	3,421,949
Equipment	12,897,870	12,172,690
Infrastructure	92,112,704	85,946,105
SUBTOTAL	108,664,341	101,540,744
TOTAL COST OF CAPITAL ASSETS	112,625,553	105,608,977
TOTAL ACCUMULATED DEPRECIATION	(52,768,551)	(50,660,491)
TOTAL NET CAPITAL ASSETS	\$ 59,857,002	\$ 54,948,486

This year's capital asset additions included the following:

Infrastructure - land improvements	\$ 361,637
Buildings	231,818
Equipment	
Roads	1,141,654
Shop	13,287
Infrastructure	
Roads	7,479,882
Bridges	1,274,546
TOTAL	\$ 10,502,824

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

Debt

As of December 31, 2023, 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 \$312,902 as of December 31, 2023. 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 2024 budget. One of the factors is the economy, specifically inflation. The cost of our everyday goods and services necessary to operate have increased significantly. Since the pandemic, we have seen our revenues get back on track. In 2024, we have estimated our MTF revenues to increase by 1.3% per MDOT's projections. Due to additional inflationary costs, we decreased the mileage of projects for our eight-year plan projects for 2024. Below is a history of the projects we have completed since the Michigan Transportation Tax increase 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, a total of 21.90 miles of scratch course/chip/fog seals with a total cost of \$2,245,991. Parmenter Road from Hibbard Road to Corunna City Limit (1.37 miles) at a cost of \$125,847; Hibbard Road from 0.5 miles east of State Road to M-71 (2.64 miles) at a cost of \$252,994; Morrice - Between M-52 and Hibbard Road (1.34 miles) at a cost of \$134,390; Hibbard - Between M-52 and Cook Road (2.28 miles) at a cost of \$239,036; Henderson Road from Smith Road to M-52 (2.93 miles) at a cost of \$351,424; Chipman Road from Juddville Road to 850 feet north of Henderson Road (2.24 miles) at a cost of \$226,226; Bancroft Road from Lansing Road to Parmenter Road (4.83 miles) at a cost of \$440,907; Parmenter Road from Parmenter Road (east) to Hibbard Road (0.90 miles) at a cost of \$99,258; Durand Road from Shipman Road to Lennon Road (3.62) at an estimated cost of \$375,908. Parameter Road from Hibbard Road to Corunna City Limit (1.37 miles) at a cost of \$125,847.

In 2024, we budgeted to complete (16.01 miles) of scratch course/chip/fog seals at a total estimated cost of \$1,625,015. Johnstone - Between M-52 and State Road (3.01 miles) at an estimated cost of \$305,515; Durand Road from Lansing Road to Durand City Limits (0.51 miles) at an estimated cost of \$51,76; Grand River - Between Sciota/Bennington Line and Morrice (5.09 miles) at an estimated cost of \$516,635; Morrice - Between Hibbard Road and Grand River Road (4.23 miles) at an estimated cost of \$429,345; Grand River - Between Lainsburg City Limit and Sciota/Bennington Line (3.17 miles) at an estimated cost of \$321,755;

The Commission derives approximately 55% of its revenues from the Michigan Transportation Fund (MTF) fuel tax collected. The approved MTF budget for 2024 which was approved last December (2023), it was estimated that the Commission would receive \$10,506,000 which is a 0.37% decrease (\$39,252) to MTF revenues received in 2023. The Commission received approximately 17.5% of its revenues from township contributions during 2023. 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 \$1,748,450 in federal and state aid for road projects and bridges during 2024. The above items were all considered when adopting the budget for 2024. Amounts available for appropriation in the original 2024 budget are \$16,821,170, a decrease of \$1,778,528 from the 2023 final amended budget of \$18,599,698.

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, 2023**

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 1,633,273
Investments	5,312,671
Accounts receivable	22,647
Due from other governmental units	
Federal/State	2,064,167
Local	20,890
Inventory	<u>1,135,814</u>
Total current assets	<u>10,189,462</u>
Noncurrent assets	
Capital assets not being depreciated	3,961,212
Capital assets, net of accumulated depreciation	55,895,790
Net other post-employment benefits asset	<u>965,077</u>
Total noncurrent assets	<u>60,822,079</u>
TOTAL ASSETS	<u>71,011,541</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	4,947,072
Deferred outflows of resources related to OPEB	<u>67,236</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>5,014,308</u>
LIABILITIES	
Current liabilities	
Accounts payable	82,307
Accrued liabilities	42,485
Due to other governmental units	7,768
Current portion of compensated absences	246,944
Unearned Revenue	<u>465,447</u>
Total current liabilities	<u>844,951</u>
Noncurrent liabilities	
Noncurrent portion of compensated absences	65,958
Advances from other governmental units	376,139
Net pension liability	<u>987,618</u>
Total noncurrent liabilities	<u>1,429,715</u>
TOTAL LIABILITIES	<u>2,274,666</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	<u>88,510</u>
NET POSITION	
Investment in capital assets	59,857,002
Restricted for other post-employment benefits	965,077
Unrestricted	<u>12,840,594</u>
TOTAL NET POSITION	<u><u>\$ 73,662,673</u></u>

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	Governmental Activities
PROGRAM EXPENSES	
Primary road	\$ 2,072,339
Local road	2,965,405
State trunkline	960,356
Administrative - net	753,280
Equipment - net	514,515
Infrastructure depreciation	4,234,681
Loss on disposal of capital assets	468,658
TOTAL PROGRAM EXPENSES	11,969,234
PROGRAM REVENUES	
Charges for services	1,381,034
Operating grants and contributions	7,500,218
Capital grants and contributions	8,754,428
TOTAL PROGRAM REVENUES	17,635,680
NET PROGRAM REVENUES	5,666,446
GENERAL REVENUES	
Interest	281,721
Other	1,271,242
TOTAL GENERAL REVENUES	1,552,963
CHANGE IN NET POSITION	7,219,409
Net position, beginning of the year	66,443,264
Net position, end of the year	\$ 73,662,673

See accompanying notes to financial statements.

**SHIAWASSEE COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
BALANCE SHEET
DECEMBER 31, 2023**

	<u>General Operating Fund</u>
ASSETS	
Cash	\$ 1,633,273
Investments	5,312,671
Accounts receivable	22,647
Due from other governmental units	
Federal/State	2,064,167
Local	20,890
Inventory	<u>1,135,814</u>
TOTAL ASSETS	<u><u>\$ 10,189,462</u></u>
LIABILITIES	
Accounts payable	\$ 82,307
Accrued liabilities	42,485
Due to other governmental units	7,768
Advances from other governmental units	376,139
Unearned revenue	<u>465,447</u>
TOTAL LIABILITIES	<u>974,146</u>
FUND BALANCE	
Nonspendable	
Inventory	1,135,814
Unassigned	<u>8,079,502</u>
TOTAL FUND BALANCE	<u>9,215,316</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 10,189,462</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, 2023**

Total fund balance - governmental fund \$ 9,215,316

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	\$ 112,625,553	
Accumulated depreciation is	<u>(52,768,551)</u>	
Capital assets, net		59,857,002

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 consist of:

Deferred outflows of resources related to pensions	4,947,072	
Deferred inflows of resources related to pensions	(88,510)	
Deferred outflows of resources related to OPEB	<u>67,236</u>	
		4,925,798

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		965,077
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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	(312,902)	
Net pension liability	<u>(987,618)</u>	
		<u>(1,300,520)</u>

Net position of governmental activities \$ 73,662,673

**SHIAWASSEE COUNTY ROAD COMMISSION
GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023**

	<u>General Operating Fund</u>
REVENUES	
Licenses and permits	\$ 63,430
Intergovernmental	16,254,646
Charges for services	1,315,862
Interest and rents	283,443
Other	<u>1,271,262</u>
TOTAL REVENUES	<u>19,188,643</u>
EXPENDITURES	
Current	
Primary road	7,547,960
Local road	7,178,149
State trunkline	1,183,625
Administrative - net	898,686
Equipment - net	714,001
Other	111,885
Capital outlay - net	<u>392,310</u>
TOTAL EXPENDITURES	<u>18,026,616</u>
NET CHANGE IN FUND BALANCE	1,162,027
Fund balance, beginning of year	<u>8,053,289</u>
Fund balance, end of year	<u><u>\$ 9,215,316</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, 2023**

Net change in fund balance - governmental fund \$ 1,162,027

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

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

Capital outlay	\$ 10,502,824	
Equipment and administrative depreciation expense	(890,969)	
Infrastructure depreciation expense	<u>(4,234,681)</u>	
 Excess of capital outlay over depreciation expense		 5,377,174

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. (468,658)

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:

Increase in deferred outflows of resources related to pensions	2,351,778	
Decrease in deferred inflows of resources related to pensions	1,899,590	
(Increase) in deferred outflows of resources related to OPEB	(75,949)	
(Increase) in compensated absences	(6,384)	
Increase in net pension liability	(3,212,982)	
Increase in net other post-employment benefits asset	<u>192,813</u>	
		<u>1,148,866</u>

Change in net position of governmental activities \$ 7,219,409

**SHIAWASSEE COUNTY ROAD COMMISSION
 FIDUCIARY FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2023**

	<u>Retiree Health Care Trust</u>
ASSETS	
Current assets	
Investments	\$ 2,275,483
LIABILITIES	
Current liabilities	
Accounts payable	<u>-</u>
NET POSITION	
Restricted for retiree health care benefits	<u><u>\$ 2,275,483</u></u>

**SHIAWASSEE COUNTY ROAD COMMISSION
FIDUCIARY FUND
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2023**

	<u>Retiree Health Care Trust</u>
ADDITIONS	
Investment earnings	
Net change in fair value of investments	<u>\$ 253,121</u>
DEDUCTIONS	
Benefit payments	170,858
Administrative expenses	4,497
Other	<u>63,814</u>
TOTAL DEDUCTIONS	<u>239,169</u>
CHANGE IN NET POSITION	13,952
NET POSITION RESTRICTED FOR RETIREE HEALTH CARE BENEFITS	
Net position, beginning of year	<u>2,261,531</u>
Net position, end of year	<u><u>\$ 2,275,483</u></u>

See accompanying notes to financial statements.

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

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

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, Cash Equivalents, 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.

Unearned Revenue

The Commission reports unearned revenue in connection with resources that have been received, but not yet earned.

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

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

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.

Net Pension Liability

The Commission offers a defined benefit pension plan to its employees. The Commission records a net pension liability 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 liability, 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.

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

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

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.

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.

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

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

Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2023, 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, 2023, \$1,415,826 of the Commission’s bank balance of \$1,953,544 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Commission’s deposits had a carrying amount of \$1,633,172 as of December 31, 2023. The cash caption on the balance sheet includes \$100 in imprest cash.

Custodial Credit Risk - Investments

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

Interest Rate Risk

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

Investment Type	Fair Value	Weighted Average Maturity (Years)
Michigan CLASS Investment Pool	\$ 5,312,671	0.1296

One day maturity equals 0.0027, one year equals 1.00.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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	\$ 5,312,671	AAAm

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 statues 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.

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

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

At the year ended December 31, 2023, 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	\$ 5,312,671	\$ -	No restrictions	None
MERS Total Market Portfolio	<u>2,275,483</u>	<u>-</u>	No restrictions	None
	<u>\$ 7,588,154</u>	<u>\$ -</u>		

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, 2023:

	<u>Primary Government</u>	<u>Fiduciary Fund</u>	<u>Total</u>
Cash	\$ 1,633,273	\$ -	\$ 1,633,273
Investments	<u>5,312,671</u>	<u>2,275,483</u>	<u>7,588,154</u>
	<u>\$ 6,945,944</u>	<u>\$ 2,275,483</u>	<u>\$ 9,221,427</u>

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

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2023, was as follows:

	Balance Jan. 1, 2023	Additions/ Reclassifications	Deletions/ Reclassifications	Balance Dec. 31, 2023
Capital assets not being depreciated				
Land	\$ 597,645	\$ -	\$ (370,000)	\$ 227,645
Infrastructure - land improvements	3,470,588	361,637	(98,658)	3,733,567
Subtotal	<u>4,068,233</u>	<u>361,637</u>	<u>(468,658)</u>	<u>3,961,212</u>
Capital assets being depreciated/depleted				
Buildings	3,421,949	231,818	-	3,653,767
Equipment -				
Road	11,604,634	1,141,654	(429,761)	12,316,527
Shop	261,177	13,287	-	274,464
Sign shop	10,505	-	-	10,505
Office	226,420	-	-	226,420
Engineering	69,954	-	-	69,954
Infrastructure -				
Roads	59,485,946	7,479,882	(2,587,829)	64,377,999
Bridges	26,027,251	1,274,546	-	27,301,797
Traffic signals	5,186	-	-	5,186
Land improvements	427,722	-	-	427,722
Subtotal	101,540,744	10,141,187	(3,017,590)	108,664,341
Less accumulated depreciation/depletion				
Buildings	\$ (2,807,521)	\$ (125,364)	\$ -	\$ (2,932,885)
Equipment -				
Road	(9,563,456)	(697,283)	429,761	(9,830,978)
Shop	(163,716)	(13,120)	-	(176,836)
Sign shop	(10,505)	-	-	(10,505)
Office	(176,838)	(10,654)	-	(187,492)
Engineering	(63,030)	(1,775)	-	(64,805)
Infrastructure -				
Roads	(26,793,365)	(3,595,041)	2,587,829	(27,800,577)
Bridges	(10,781,271)	(639,295)	-	(11,420,566)
Traffic signals	(1,384)	(345)	-	(1,729)
Land improvements	(299,405)	(42,773)	-	(342,178)
Subtotal	<u>(50,660,491)</u>	<u>(5,125,650)</u>	<u>3,017,590</u>	<u>(52,768,551)</u>
Net capital assets being depreciated/depleted	<u>50,880,253</u>	<u>5,015,537</u>	<u>-</u>	<u>55,895,790</u>
Capital assets, net	<u>\$ 54,948,486</u>	<u>\$ 5,377,174</u>	<u>\$ (468,658)</u>	<u>\$ 59,857,002</u>

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

NOTE 3 - CAPITAL ASSETS (continued)

Depreciation/depletion expense was charged to the following activities:

	Amount
Net equipment expense	
Direct equipment	\$ 777,399
Indirect equipment	87,715
Net administrative expense	25,855
Infrastructure	4,234,681
	\$ 5,125,650

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, 2023:

	Balance Jan. 1, 2023	Additions	Deletions	Balance Dec. 31, 2023	Amounts Due Within One Year
Compensated absences	\$ 306,518	\$ 248,290	\$ (241,906)	\$ 312,902	\$ 246,944

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, 2023, the Federal aid received and expended by the Commission was \$2,254,708 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.

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

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 liability, 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.

Benefits Provided

Division:	<u>10</u>	<u>11</u>	<u>13</u>	<u>14</u>	<u>15</u>
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, 2022, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	12
Active employees	31
	31
	95

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

NOTE 6 - RETIREMENT PLAN (continued)

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, 2023, the Commission's monthly contributions were 3.95% based on annual payroll for open divisions.

Payable to the Pension Plan

At December 31, 2023, there were no amounts outstanding by the Commission for contributions to the pension plan required for the year ended December 31, 2023.

Actuarial Assumptions

The total pension 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 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 liability.

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

NOTE 6 - RETIREMENT PLAN (continued)

Projected Cash Flows (continued)

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.

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 Real Rate of Return	Expected Money-weighted Rate of Return
Global Equity	60.00%	4.50%	2.70%
Global Fixed Income	20.00%	2.00%	0.40%
Private investments	20.00%	7.00%	1.40%
	100.00%		
Inflation			2.50%
Administrative expenses netted above			0.25%
Investment rate of return			7.25%

Discount Rate

The discount rate used to measure the total pension liability 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 liability.

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

NOTE 6 - RETIREMENT PLAN (continued)

Net Pension Liability

The Commission's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the Net Pension Liability 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, 2021	\$ 23,431,648	\$ 25,657,012	\$ (2,225,364)
Changes for the Year			
Service cost	166,499	-	166,499
Interest on total pension liability	1,648,349	-	1,648,349
Difference between expected and actual experience	296,629	-	296,629
Employer contributions	-	1,683,278	(1,683,278)
Employee contributions	-	101,231	(101,231)
Net investment income	-	(2,838,358)	2,838,358
Benefit payments, including employee refunds	(1,558,082)	(1,558,082)	-
Administrative expense	-	(47,656)	47,656
Net changes	553,395	(2,659,587)	3,212,982
Balances as of December 31, 2022	\$ 23,985,043	\$ 22,997,425	\$ 987,618

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

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

	1% Decrease	Current Discount Rate	1% Increase
Net pension (asset)	\$ 3,606,233	\$ 987,618	\$ (1,206,894)

**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, 2023, the Commission recognized a pension expense of \$1,120,819. The Commission reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 197,753	\$ 88,510
Changes in assumptions	268,486	-
Net difference between projected and actual earnings on pension plan investments	2,321,628	-
Contributions subsequent to the measurement date*	2,159,205	-
Total	\$ 4,947,072	\$ 88,510

* 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, 2024.

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

Year Ending December 31,	Pension Expense
2024	\$ 539,961
2025	533,312
2026	685,089
2027	940,995
	\$ 2,699,357

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.

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Plan Description (continued)

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

Plan Membership

Membership in the plan at December 31, 2023, (the last actuarial report) is as follows:

Retirees and beneficiaries	31
Active employees	<u>-</u>
	<u><u>31</u></u>

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.

Contributions

For the year ended December 31, 2023, 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, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation as of December 31, 2023.

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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, 2023 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.

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability (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.

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (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:

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.

Change in Net OPEB Liability (Asset)

The changes in the net OPEB Liability (Asset) for the year ended December 31, 2023, 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, 2022	\$ 1,489,267	\$ 2,261,531	\$ (772,264)
Changes for the year			
Interest on total OPEB liability	98,251	-	98,251
Difference between expected and actual experience	(106,589)	-	(106,589)
Changes of assumptions	335	-	335
Net investment income	-	253,121	(253,121)
Benefit payments, including employee refunds	(170,858)	(170,858)	-
Administrative expense	-	(4,497)	4,497
Other	-	(63,814)	63,814
	(178,861)	13,952	(192,813)
Net changes			
Balance at December 31, 2023	\$ 1,310,406	\$ 2,275,483	\$ (965,077)

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

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

The following presents the net OPEB Liability (Asset) of the Commission, as well as what the Commission's net OPEB liability (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)	\$ (883,203)	\$ (965,077)	\$ (1,037,754)

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

The following presents the net OPEB Liability (Asset) of the Commission, as well as what the Commission's net OPEB liability (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)	\$ (968,995)	\$ (965,077)	\$ (961,899)

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

For the year ended December 31, 2023, the Commission recognized an OPEB benefit of \$116,864. At December 31, 2023, 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	\$ 67,236	\$ -

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
2024	\$ 1,663
2025	25,838
2026	60,374
2027	(20,639)
	\$ 67,236

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

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.

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, 2023, the Commission implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*.

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

NOTE 11 - CHANGE IN ACCOUNTING PRINCIPLE (continued)

Summary:

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-based Information Technology Arrangements*, was issued in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The 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 disclosure regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

There was no material impact on the Commission's financial statements after the adoption of GASB Statement No. 96.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

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 periods, (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 yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been 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 in 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 2024 fiscal year.

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the government vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the nature of circumstances disclosed and the government's vulnerability to the risk of substantial impact. 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, 2023**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Licenses and permits				
Permits	\$ 55,000	\$ 63,000	\$ 63,430	\$ 430
Intergovernmental				
Federal sources				
Surface Transportation Program	1,250,194	1,200,000	1,201,499	1,499
Bridge	-	-	1,012,606	1,012,606
Other	-	40,602	40,603	1
State sources				
Motor Vehicle Highway Funds				
Engineering	10,000	10,000	10,000	-
Urban road	320,536	320,536	391,392	70,856
Primary road	6,540,931	6,540,931	6,858,799	317,868
Local road	3,155,273	3,155,273	3,285,060	129,787
Other				
Critical bridge	1,292,000	1,259,000	9	(1,258,991)
Other	106,000	96,000	96,192	192
Local sources				
Township contributions	2,700,000	3,357,950	3,358,486	536
Total intergovernmental	15,374,934	15,980,292	16,254,646	274,354
Charges for services				
State trunkline	1,100,000	1,125,000	1,179,150	54,150
Salvage sales	25,000	8,000	11,214	3,214
Other	35,000	125,740	125,498	(242)
Total charges for services	1,160,000	1,258,740	1,315,862	57,122
Interest and rents				
Interest	25,000	287,000	281,721	(5,279)
Rents	9,500	9,000	1,722	(7,278)
Total interest and rents	34,500	296,000	283,443	(12,557)
Other				
Land and building sales	-	880,646	1,250,646	370,000
Sundry refunds	-	20	20	-
Miscellaneous	104,000	104,000	-	(104,000)
Gain on equipment disposal	-	17,000	20,596	3,596
Total other	104,000	1,001,666	1,271,262	269,596
TOTAL REVENUES	\$ 16,728,434	\$ 18,599,698	\$ 19,188,643	\$ 588,945

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
BUDGETARY COMPARISON SCHEDULE - EXPENDITURES
YEAR ENDED DECEMBER 31, 2023**

	Original Budget	Final Amended Budget	Actual	Variance with Final Budget Positive (Negative)
EXPENDITURES				
Current				
Primary road				
Preservation - structural improvements	\$ 4,628,134	\$ 5,241,900	\$ 5,243,458	\$ (1,558)
Routine and preventative maintenance	2,687,815	2,293,440	2,304,502	(11,062)
Total primary road	<u>7,315,949</u>	<u>7,535,340</u>	<u>7,547,960</u>	<u>(12,620)</u>
Local road				
Preservation - structural improvements	3,110,000	4,216,700	3,872,607	344,093
Routine and preventative maintenance	3,152,815	3,182,900	3,305,542	(122,642)
Total local road	<u>6,262,815</u>	<u>7,399,600</u>	<u>7,178,149</u>	<u>221,451</u>
State trunkline				
Maintenance	1,100,000	1,140,000	1,183,625	(43,625)
Administrative				
Administration	1,081,300	1,040,400	1,004,559	35,841
Less:				
Handling charges	(500)	-	-	-
Overhead - State	(120,000)	(100,000)	(103,045)	3,045
Purchase discount	(15,000)	(3,000)	(2,828)	(172)
Total administrative - net	<u>945,800</u>	<u>937,400</u>	<u>898,686</u>	<u>38,714</u>
Equipment				
Direct	2,250,000	1,880,000	1,744,011	135,989
Indirect	953,900	787,970	913,382	(125,412)
Operating	400,000	400,000	377,080	22,920
Less: Equipment rental	(2,250,000)	(2,350,000)	(2,320,472)	(29,528)
Total equipment - net	<u>1,353,900</u>	<u>717,970</u>	<u>714,001</u>	<u>3,969</u>
Other				
Miscellaneous	30,000	105,500	111,885	(6,385)
Capital outlay				
Capital outlay	1,039,245	1,387,000	1,386,759	241
Less:				
Equipment retirements	-	-	(103,480)	103,480
Depreciation and depletion	(1,250,000)	(1,250,000)	(890,969)	(359,031)
Total capital outlay - net	<u>(210,755)</u>	<u>137,000</u>	<u>392,310</u>	<u>(255,310)</u>
TOTAL EXPENDITURES	<u><u>\$ 16,797,709</u></u>	<u><u>\$ 17,972,810</u></u>	<u><u>\$ 18,026,616</u></u>	<u><u>\$ (53,806)</u></u>

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 166,499	\$ 176,036	\$ 189,390	\$ 185,571	\$ 172,712	\$ 173,170	\$ 164,733	\$ 168,071	\$ 188,524
Interest	1,648,349	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	296,629	(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	(1,558,082)	(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	553,395	932,407	709,959	1,143,285	(170,135)	391,523	88,777	1,140,112	437,809
Total pension liability, beginning	<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>	<u>18,757,911</u>
Total pension liability, ending	<u>\$ 23,985,043</u>	<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	\$ 1,683,278	\$ 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	101,231	107,672	111,217	106,645	100,542	96,885	92,334	87,327	95,537
Net investment income	(2,838,358)	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	(1,558,082)	(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	(47,656)	(34,712)	(36,516)	(36,413)	(31,845)	(30,892)	(26,980)	(25,846)	(26,010)
Net change in plan fiduciary net position	(2,659,587)	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	25,657,012	21,247,976	17,785,030	15,488,171	16,382,707	14,753,434	11,916,312	11,822,707	11,300,624
Plan fiduciary net position, ending	<u>\$ 22,997,425</u>	<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>\$ 987,618</u>	<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	96%	109%	94%	82%	75%	79%	72%	59%	62%
Covered payroll	\$ 1,761,162	\$ 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	56%	(113%)	62%	201%	279%	244%	339%	523%	415%

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

Fiscal Year Ended December 31,	Actuarial Determined Contributions ⁽¹⁾	Employer Contribution (Benefit Payments)	Contribution Deficiency (Excess)	Covered Payroll	Contribution as a Percentage of Payroll
2023	\$ 1,018,301	\$ 2,159,205	\$(1,140,904)	\$ 1,702,029	127%
2022	1,263,618	1,683,278	(419,660)	1,920,644	88%
2021	1,140,742	1,990,781	(850,039)	2,011,654	99%
2020	842,885	1,319,861	(476,976)	2,076,210	64%
2019	818,139	1,518,139	(700,000)	1,994,286	76%
2018	745,752	1,081,752	(336,000)	1,878,715	58%
2017	1,029,796	1,029,796	-	1,812,443	57%
2016	544,460	2,745,068	(2,200,608)	1,681,219	163%
2015	507,661	1,530,931	(1,023,270)	1,679,873	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 SIX MEASUREMENT DATES (ULTIMATELY TEN YEARS WILL BE DISPLAYED)
(AMOUNTS WERE DETERMINED AS OF 12/31 EACH YEAR)**

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service cost	\$ -	\$ -	\$ 594	\$ 695	\$ 1,032	\$ 2,484
Interest	98,251	106,072	125,930	132,868	120,737	83,884
Difference between expected and actual experience	(106,589)	11,868	(201,576)	(23,678)	(41,679)	2,525
Changes of assumptions	335	30,012	(4,448)	-	(65,580)	(397,706)
Benefit payments, including employee refunds	(170,858)	(203,687)	(176,478)	(231,877)	(219,011)	(268,719)
Net change in total OPEB liability	(178,861)	(55,735)	(255,978)	(121,992)	(204,501)	(577,532)
Total OPEB liability, beginning	1,489,267	1,545,002	1,800,980	1,922,972	2,127,473	2,705,005
Total OPEB liability, ending	<u>\$ 1,310,406</u>	<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)	253,121	(215,365)	350,929	292,938	264,628	(55,995)
Benefit payments, including employee refunds	(170,858)	(203,687)	(176,478)	(231,877)	(219,011)	(268,719)
Administrative expenses	(4,497)	(4,302)	(4,830)	(4,240)	(3,972)	(1,706)
Other	(63,814)	(497)	-	-	-	-
Net change in plan fiduciary net position	13,952	(423,851)	169,621	56,821	1,085,656	992,299
Plan fiduciary net position, beginning	2,261,531	2,685,382	2,515,761	2,458,940	1,373,284	380,985
Plan fiduciary net position, ending	<u>\$ 2,275,483</u>	<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>\$ (965,077)</u>	<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)	174%	152%	174%	140%	128%	65%
Covered payroll	N/A	N/A	\$ 38,361	\$ 116,808	\$ 110,255	\$ 99,317
Commission's net OPEB liability (asset) as a percentage of covered payroll	N/A	N/A	(2,973%)	(612%)	(486%)	759%

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

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Employer Contribution (Benefit Payments)</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contribution as a Percentage of Payroll</u>
2023	\$ -	\$ -	\$ -	N/A	N/A
2022	-	-	-	N/A	N/A
2021	-	-	-	38,361	0%
2020	-	-	-	116,808	0%
2019	77,707	1,044,011	(966,304)	110,255	947%
2018	199,711	1,318,719	(1,119,008)	99,317	1328%

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

Fiscal Year Ended December 31,	Annual money-weighted rate of return, net of investment expense
2023	10.96%
2022	-11.36%
2021	14.21%
2020	12.35%
2019	12.73%
2018	-7.97%

**SHIAWASSEE COUNTY ROAD COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2023**

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

During the year the Commission incurred expenditures which were in excess of the amounts budgeted as follows:

	<u>Amended Amounts Appropriated</u>	<u>Actual Amounts Expended</u>	<u>Variance</u>
Expenditures	<u>\$ 17,972,810</u>	<u>\$ 18,026,616</u>	<u>\$ 53,806</u>

OTHER SUPPLEMENTARY INFORMATION

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023**

TOTAL REVENUES	\$ 19,188,643
TOTAL EXPENDITURES	<u>18,026,616</u>
NET CHANGE IN FUND BALANCE	1,162,027
Fund balance, beginning of year	<u>8,053,289</u>
Fund balance, end of year	<u><u>\$ 9,215,316</u></u>

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2023**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
TOTAL REVENUES	\$ 8,185,416	\$ 8,191,271	\$ 2,811,956	\$ 19,188,643
TOTAL EXPENDITURES	<u>8,224,058</u>	<u>7,956,225</u>	<u>1,846,333</u>	<u>18,026,616</u>
NET CHANGE IN FUND BALANCE	(38,642)	235,046	965,623	1,162,027
Fund balance, beginning of year	<u>1,614,766</u>	<u>967,321</u>	<u>5,471,202</u>	<u>8,053,289</u>
Fund balance, end of year	<u><u>\$ 1,576,124</u></u>	<u><u>\$ 1,202,367</u></u>	<u><u>\$ 6,436,825</u></u>	<u><u>\$ 9,215,316</u></u>

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF REVENUES
YEAR ENDED DECEMBER 31, 2023**

	Primary Road Fund	Local Road Fund	County Road Commission	Total
REVENUES				
Licenses and permits				
Permits	\$ 15,857	\$ 15,857	\$ 31,716	\$ 63,430
Intergovernmental				
Federal sources	40,602	2,214,106	-	2,254,708
State sources	7,250,150	3,391,302	-	10,641,452
Local sources	822,319	2,536,167	-	3,358,486
Total intergovernmental	8,113,071	8,141,575	-	16,254,646
Charges for services				
State trunkline	-	-	1,179,150	1,179,150
Salvage sales	-	-	11,214	11,214
Other	-	-	125,498	125,498
Total charges for services	-	-	1,315,862	1,315,862
Interest and rents				
Interest	56,488	33,839	191,394	281,721
Rents	-	-	1,722	1,722
Total interest and rents	56,488	33,839	193,116	283,443
Other				
Land and building sales	-	-	1,250,646	1,250,646
Gain on equipment disposal	-	-	20,596	20,596
Sundry refunds	-	-	20	20
Total other	-	-	1,271,262	1,271,262
TOTAL REVENUES	<u>\$ 8,185,416</u>	<u>\$ 8,191,271</u>	<u>\$ 2,811,956</u>	<u>\$ 19,188,643</u>

**SHIAWASSEE COUNTY ROAD COMMISSION
GENERAL OPERATING FUND
ANALYSIS OF EXPENDITURES
YEAR ENDED DECEMBER 31, 2023**

	<u>Primary Road Fund</u>	<u>Local Road Fund</u>	<u>County Road Commission</u>	<u>Total</u>
EXPENDITURES				
Preservation - structural improvements	\$ 5,243,458	\$ 3,872,607	\$ -	\$ 9,116,065
Routine and preventative maintenance	2,304,502	3,305,542	-	5,610,044
State trunkline	-	-	1,183,625	1,183,625
Administrative expense - net	460,627	438,059	-	898,686
Equipment expense - net	215,471	340,017	158,513	714,001
Other	-	-	111,885	111,885
Capital outlay - net	-	-	392,310	392,310
TOTAL EXPENDITURES	<u>\$ 8,224,058</u>	<u>\$ 7,956,225</u>	<u>\$ 1,846,333</u>	<u>\$ 18,026,616</u>



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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 Shiawassee County Road Commission (the Commission), a component unit of Shiawassee County, Michigan, as of and for the year ended December 31, 2023, 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 9, 2024.

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.

May 9, 2024